Daily Report

East Europe

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FBIS-EEU-95-087 *5 May 1995*

CONTENTS

NOTICE TO READERS: This volume contains a representative selection of material previously disseminated in softcopy format.

BULGARIA

Assembly Cuts Presidency, Cabinet, Council Budgets *[Sofia Radio]* 1
Pirinski Briefs Commission on Policy Priorities *[Sofia Radio]* 1
Zhelev, Mozer Discuss Land Bill, Cooperation *[Sofia Radio]* 1

CZECH REPUBLIC

KAN Congress Approves Merger With KDS *[DENNI TELEGRAF 2 May]* 2
Support Shown for Nuclear Power Plant Usage *[RUDE PRAVO 27 Apr]* 2

SLOVAKIA

President Warns Against Government Interference *[SMENA 3 May]* 3
Meciar Denies Existence of Debt to CR *[PRAVDA 29 Apr]* 3
Cabinet Approves Personnel Changes *[SME 3 May]* 4

HUNGARY

Kovac: Croatian Developments No Threat to Hungary *[Budapest Radio]* 5
Defense Committee Member Proposes 40,000-Man Army *[MAGYAR HIRLAP 4 May]* 5
Finance Minister Bokros on Economic Package *[NEPSZABADSAG 1 May]* 5
Union Leader on Austerity Measures, Alternatives *[NEPSZABADSAG 29 Apr]* 8
Torgyan: Only FKGP Suitable for Government *[NEPSZABADSAG 2 May]* 9

POLAND

Walesa Gives Speech During 3 May Celebrations
[PRESIDENTIAL PRESS OFFICE INFORMATION SERVICE 3 May] 12
Walesa May Win Election Despite Popularity Loss *[WPROST 30 Apr]* 12
NBP Fails To Keep Kolodko's Promise to IMF *[GAZETA WYBORCZA 5 May]* 13
Central Bank Head on Interest Rates, Zloty *[NOWA EUROPA 28 Apr]* 14

ROMANIA

Commission Criticizes Foreign Ministry Activity *[Bucharest Radio]* 16
National Intelligence Institute Restructured *[EVENIMENTUL ZILEI 2 May]* 16
AZI Lists Laws Barring Iliescu Reelection *[AZI 29 Apr]* 16
Army General Staff Chief Views Equipment *[EVENIMENTUL ZILEI 2 May]* 17

BOSNIA-HERZEGOVINA

Opening of 7th Session of Constituent Assembly *[Mostar Radio]* 18
Delay After Muslim No-Show *[TANJUG]* 18
Bonn Agreement Adopted *[Sarajevo Radio]* 18
Assembly Closes *[Sarajevo Radio]* 18
Bosanska Gradiska Officials View Area Attacks *[Banja Luka Radio]* 19
Krajisnik Promises Reaction to Events in Croatia *[NASA BORBA 4 May]* 19
Secirbegovic Assesses Contact Group Talks *[London TV]* 20
Bosnian Serbs Recapture Mt. Treskavica *[TANJUG]* 20
Ukrainian Soldier Reportedly Killed by B-H Army *[AFP]* 20

Assembly Cuts Presidency, Cabinet, Council Budgets

AU0505084595 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 4 May 95

[FBIS Translated Text] On 4 May, the National Assembly members adopted at the second reading Article 4 of the 1995 National Budget Bill, which deals with the funds of state institutions, ministries, departments, and establishments of higher education. The total amount is 82 billion leva.

The budgets of the National Assembly and the Council of Ministers have been reduced by 5 million leva each. The resulting 10 million will be used for repairing and maintaining Bulgarian Church property in Istanbul. The reductions proposal came from Nora Ananieva and Aleksandur Marinov, both members of the Democratic Left parliamentary faction. The opposition supported the proposal.

The budget of the Presidency, which amounts to more than 12 million leva, was also reduced by 5 million leva. That 5 million will be transferred to the Committee on Sport, Youth, and Children. The opposition voted against this decision. Members of the opposition described the reduction in the Presidency's budget as a punitive action, a demagogic act, and a settling of political scores with the president.

According to Ivan Vudinov of the Union of Democratic Forces [SDS], the parliamentary majority has punished the president for returning to the National Assembly what he described as their inept laws.

The reduction in the Ministry of Justice's budget by more than 4 million leva also provoked a furious reaction. According to Petur Stoyanov from the SDS, this is a punitive act against the Supreme Judicial Council, which has been deprived of an autonomous budget. According to the opposition, the Bulgarian Socialist Party [BSP] does not like the composition of the Supreme Judicial Council and therefore attacks the institution itself.

Numerous proposals to increase the budgets of the Ministry of Defense, the Ministry of Health, and the National Intelligence Service were rejected.

The deputies of the Democratic Left are not hiding their intention to adopt the 1995 National Budget Bill today, already.

Pirinski Briefs Commission on Policy Priorities

AU0405203495 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 4 May 95

[FBIS Translated Text] Foreign Minister Georgi Pirinski today briefed the National Assembly Commission on Foreign Affairs on the cabinet's priority foreign policy activities during its first 100 days.

After the meeting, [Bulgarian Socialist Party Deputy] Nikolay Kamov noted that the commission's opposition members expressed a different opinion on the Ministry of Foreign Affairs' work. However, the commission members do agree on the cabinet's main priority: European integration.

The Union of Democratic Forces [SDS] does not agree with the policy of gradually lifting the sanctions against Serbia, [SDS Deputy] Asen Agov said.

Zhelev, Mozer Discuss Land Bill, Cooperation

AU0405135195 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 4 May 95

[FBIS Translated Text] The 29th Bulgarian National Agrarian Union [BZNS] Congress, the upcoming municipal elections, the necessity of consolidating the opposition and appearing together in the elections, and the Land Bill amendments—those topics were discussed today during the one-hour meeting between President Zhelev and BZNS chief secretary Anastasiya Mozer.

The president congratulated Mrs. Mozer on her reelection as BZNS leader. He expressed regret that the National Assembly Commission on Agriculture did not seriously discussd his motives for returning the Land Bill amendments to parliament and recommended voting again on the amendments without any changes.

President Zhelev assessed positively the decisions of the BZNS Congress. Mr. Zhelev and Mrs. Mozer expressed the joint opinion that it is necessary to increase the number of meetings and consultations among the opposition forces, as a prerequisite for appearing together in the municipal elections and winning them.

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KAN Congress Approves Merger With KDS

AU0405162095 Prague DENNI TELEGRAF in Czech 2 May 95 p 1

[Article by Ivo Zaloudek: "The KAN Congress Approves the Merger With the KDS"]

[FBIS Translated Excerpt] The congress of the Club of Nonaligned Activists [KAN] on 29 April passed a resolution that its cooperation with the Christian Democratic Party [KDS] should culminate in "something other than the partnership treaty of 1993." KAN Chairman Emil Dejmek said this at a news conference after the congress.

KDS Deputy Chairman Vaclav Benda expressed his satisfaction with the approval of the expanded partnership treaty and the integration time schedule, which indicate that the two entities should merge by next June at the latest. According to Dejmek, a realistic deadline for the merger congress is the end of the year. Commenting on the fact that an overwhelming majority of 90 percent delegates had spoken in favor of integration, Benda said: "I hope it will impress our members, too." According to him, joint commissions for drafting a joint program and statutes will now be formed. [passage omitted]

Support Shown for Nuclear Power Plant Usage

AU0405144295 Prague RUDE PRAVO in Czech 27 Apr 95 p 3

[Unattributed report: "Nuclear Power Plants?"]

[FBIS Translated Text] More than half of the Czech Republic's population supports the use of nuclear power in power plants. This is indicated by a March public opinion survey conducted by the AISA [Association for Independent Social Analysis] agency. The educated segment of the population's support for the nuclear program in general and completion of the Temelin nuclear power plant in particular is always higher.

Are you in favor of using nuclear power in power plants?

	Percent
Definitely yes	18
Probably yes	40
Probably not	23
Definitely not	14
Do not know	5

How would you vote in a referendum on the completion of the Temelin nuclear power plant?

	Percent
In favor	59
Against	27
Abstain	8
Do not know	6

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President Warns Against Government Interference

AU0405151595 Bratislava SMENA in Slovak 3 May 95 pp 1-2

[Interview with President Michal Kovac by Dusan Valko; place and date not given: "There Will Be a Report on the State of Society"]

[FBIS Translated Excerpt] Shortly before the start of the seventh meeting of the National Council of the Slovak Republic, we asked President Michal Kovac for an interview.

[Valko] Mr. President, in March 1994 you delivered a report in parliament on the state of the Slovak Republic. Will you present to the people's elected representatives a similar report this year? And, if so, what will it contain?

[Kovac] I have not yet decided at which parliament meeting I will deliver the report on the state of Slovak society. On the one hand, I am still working on the report, and, on the other, it is necessary to choose a suitable time. Otherwise, other issues might divert attention from this report or it might unsuitably interfere with the discussion of other problems, which could destroy the report's positive effect. At any rate, I want this report to be a nontraditional attempt at more profound penetration into the problems of society, in various walks of life. It should not be just a statistical, economic, and political evaluation of the current situation and problems but should analyze in greater depth how much of the road we have already covered and what remains to be accomplished for our society to be increasingly democratic, for people to feel safer in it, for them to feel that it is a good country in which to live and raise one's family. Many steps will still have to be taken to improve not only the material conditions of life, but also human relations.

[Valko] The Prva Slovenska Investicna Spolocnost [First Slovak Investment Company; PSIS] license was recently withdrawn by a Ministry of Finance decision. What do you think about the present government method and style in implementing its economic policy and its intention to reduce the volume of property offered for coupon privatization?

[Kovac] Without a thorough knowledge of the situation, I would not want to assert that some kind of a political issue is involved, that the intention is to complicate conditions for some investment fund representatives who behave independently and do not comply with government authority. I would not want to claim that this is the case. There are certain indications, however, on which several journalists and politicians who assess the situation in this way have based their evaluation. If this is actually the case, I would have to say that it is very dangerous. These would be approaches that greatly destabilize the situation in our society and, most important, undermine the trust of all investors, including foreign ones. Foreign investors, especially, constantly monitor the influence the government is able to exert. As soon as they ascertain that something is overly dependent on government decisions and that their certainty and the country's stability could be upset in some way, they naturally become wary and restrained in their decisions. This very seriously damages our economic interests because every economist and citizen versed in economic issues knows that we cannot do without foreign credits and foreign capital. It is in this regard especially that we must take many positive steps to enhance our country's credibility. Everything that runs counter to this is extremely damaging to us. [passage omitted]

Meciar Denies Existence of Debt to CR

AU0405133295 Bratislava PRAVDA in Slovak 29 Apr 95 pp 1-2

[Article by Eva Laukova: "Discard Pessimism; Vladimir Meciar: I Do Not Know of Any Debt to the Czech Republic"]

[FBIS Translated Text] Zvolen—"I do not know of any debt. I have not signed anything. There is much talk about 24 billion [currency not specified], but the Slovak side has not acknowledged this debt and does not intend to," Prime Minister Vladimir Meciar said at a meeting with students and the academic senate of the Technical University in Zvolen yesterday when replying to a question regarding the repayment of the Slovak debt to the Czech Republic, resulting from the division of the former Czechoslovak State Bank's balance.

"Quite the contrary, we have figured out how much they owe us," he added. He rejected Czech efforts at a 5-percent revaluation of the exchange rate of the Slovak koruna on the clearing account, aimed at an improvement of payment relations, and stressed: "Why should we renounce this advantage without getting anything in exchange? This is one of the reasons for the postponement of the meeting between the prime ministers." Another reason, he said, was the continued unlawful detention of almost 10 metric tons of Slovak gold in the Czech Republic. "We are ready to forgive the debts they still owe us, but not the gold and the Bojnice altarpiece!" He said that the Czech Republic's debt toward the Slovak Republic is growing every month. This month, the Czech Republic will have to pay us $150 million.

According to Meciar's words, the Slovak state budget does not show any deficit as of today but is "at the border of a plus," despite the fact that a deficit of 21 billion korunas [Sk] had been projected for 1995. We do not owe anyone anything. Quite the contrary, we have reserves in Slovak claims abroad, which total Sk80 billion. Other billions are tied up in entrepreneurs' unpaid taxes and levies, and the gray economy represents another Sk100 billion. This year's growth of the GDP could be even higher than the planned 5 percent. The foreign currency assets are higher than liabilities, which is why Slovakia can start considering the introduction of the koruna's external convertibility. As the

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prime minister said, in the near future, the population will be able to purchase foreign currency worth 30 times the average earnings.

In connection with unrest in education, the prime minister said that "the problem is not to find funds but to guarantee their efficient use." He said that earnings from schools' own economic activities could be exempted from taxes. "Discard pessimism. It is necessary to devote oneself to creative work," he said.

Education Minister Eva Slavkovska stressed: "I personally insist that even children of Hungarian parents must master the Slovak language. I think that, unlike their politicians, Hungarian parents are aware of this." As she went on to say, the issue right now is to have top-quality teachers at schools.

Speaking at the news conference, the prime minister also reacted to voices opposing activities of the Slovak National Party [SNS] in connection with the person of [wartime Slovak President] Jozef Tiso: "Personally, I see the matter differently from the SNS, but we do agree on one thing: His place in history must be evaluated by historians; let us stop politicizing the issue. When we had talks with the SNS on 24 April, its representatives confirmed that their statements were meant only as an effort at the reassessment of the role of Jozef Tiso and his state in the history of Slovakia. The fact that the opposition immediately jumps at this is startling." Speaking about the risks of development regarding the ratification of the Slovak-Hungarian treaty, the prime minister said: "Were the material to be submitted to parliament quickly, this could have such an impact on the SNS members' base that it might want to leave the government coalition. In that case, Slovakia would have to face up to a government crisis, and overcoming this crisis would be complicated. Because the momentary development in other parties is not such as to indicate the possibility of cooperation, the government is not taking this risk and prefers to patiently explain and to collect votes and positions so as to eventually achieve the treaty's ratification. I have no doubt that it will be achieved."

Parliament Chairman Ivan Gasparovic's statement that pressure is being brought to bear upon Slovakia to abolish the Benes Decrees has recently caused commotion on the Czech political scene. The prime minister confirmed the authenticity of this statement, but, at the same time, he stressed: "We do not intend to carry out any general revision of the Benes Decrees." Slovakia is, however, ready to assess individual acts of justice or injustice. Some cases are being discussed, one disputed case is being dealt with by the court.

Within the framework of the Cabinet's working visit to Zvolen district yesterday, the prime minister visited the district's most important companies. Individual ministers and state secretaries visited other companies, institutions, and organizations.

[Bratislava SME in Slovak on 29 April on page 2 carries a 500-word report by "klo" on Prime Minister Meciar's 28 April visit to Zvolen, which includes the following passage: "Asked by SME about possible changes in ministerial posts occupied by the Association of Workers of Slovakia (ZRS), Vladimir Meciar said that, while SNS representatives raised this issue at one of their briefings, it has not been raised at the negotiating table. 'I would not speak about a split in the ZRS because, when someone sets up his own party because he had not become first deputy chairman, it is more of a short rather than a split,' he said. Vladimir Meciar finds the developments in the ZRS reminiscent of the year 1992: 'This is a method that was tested before to destabilize parliament and the government.' He denied the existence of pressure from the Movement for a Democratic Slovakia for the seats of ZRS ministers and hopes that this problem will be settled and that the ZRS will be able to present 13 votes in parliament, as before. 'Those on whom Mr. Kocnar relies are sending out signals that they would like to return. We are waiting for developments in the ZRS; it is their internal affair.'"]

Cabinet Approves Personnel Changes

AU0405162695 Bratislava SME in Slovak 3 May 95 pp 1-2

[Article by "bog": "Government: President To Be Deprived of Another Power, That of Appointing the Chief of General Staff"]

[FBIS Translated Excerpt] Bratislava—[Passage omitted] The government yesterday approved a few personnel changes. Engineer Peter Adamec, who had until yesterday worked as state secretary at the Ministry of Transportation, will perform the duties of state secretary at the newly established Ministry of Construction and Public Works. The government appointed Engineer Jan Ricotti head of the new ministry's office. The government recalled Gustav Krajci from the post of chairman of the Spisska Nova Ves District Office with effect from yesterday at his own request and entrusted Marian Bubenik with the management of the District Office. As government spokesman Tomas Hasala explained at a government briefing, Gustav Krajci, the recalled district office chairman, became Movement for a Democratic Slovakia secretary on 29 April.

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Kovac: Croatian Developments No Threat to Hungary

LD0405175495 Budapest Kossuth Radio Network in Hungarian 1700 GMT 4 May 95

[FBIS Translated Excerpt] Hungary is not in direct military danger after the resumption of fighting in Croatia. This was stated at the government spokesman's briefing. Foreign Minister Laszlo Kovacs gave a briefing on the situation and said that the aim of Hungarian diplomacy is for the conflict not to become more aggravated in the region. [passage omitted]

Defense Committee Member Proposes 40,000-Man Army

AU0505102495 Budapest MAGYAR HIRLAP in Hungarian 4 May 95 p 4

[Interview with Janos Sebok, parliamentary deputy and retired general, by "J.B."; place and date not given: "According to MP Janos Sebok, a 40,000-Man Army Is Sufficient—Staff Reduction and Reform of Armed Forces"]

[FBIS Translated Text] The size of our Army could safely be reduced by 50 percent, as opposed to the government's 30-percent plan, Janos Sebok, parliamentary deputy and retired general, told MAGYAR HIRLAP. Sebok represents a rather unique but very noteworthy view in the Parliamentary Defense Committee.

[MAGYAR HIRLAP] Staff reductions have already begun in the Army, although without parliamentary approval. Therefore, it is reasonable to ask whether the government is violating a law.

[Sebok] The staff reduction is obviously part of the reform of the military forces that could not be done without a parliamentary decision because, in accordance with the Defense Law, parliament can decide the size of the Armed Forces, and in great detail. Unfortunately, the government has found itself in a forced situation and it had to act because, due to the serious lack of money, it also had to quickly implement certain cutbacks in the Armed Forces.

[MAGYAR HIRLAP] Even a forced situation cannot warrant a legal violation.

[Sebok] This is true; however, I am infinitely sorry that we did not set up an expert committee as early as in 1994, although I had urged this. This body would have assessed Europe's and our country's security policy and would have formulated the military forces' reform. The parliament could have discussed it by now. What actually happened was that the Defense Ministry gave the task of reducing the Army to the Hungarian Army's command, although this kind of task must not be given to soldiers because they always want a big army. At the same time, it can be stated with complete responsibility that Europe's and Hungary's security situation does not require, and our economic situation does not permit, a big army.

[MAGYAR HIRLAP] Are you in favor of staff reduction even though you are also a military man?

[Sebok] By all means. The current size of the Hungarian Army could safely be reduced by at least 50 percent. It could be implemented by reducing the size of so-called combat units, and it should also be reexamined if the background institutions are needed at all. Two to three, perhaps four brigades should really be completed, and these will later have to be integrated into NATO. The number of civilian employees, in addition to the conscripts, has to be heavily cut because their number is 2,000 higher than that of regular officers and warrant officers.

[MAGYAR HIRLAP] Do you believe our NATO membership to be so close?

[Sebok] No, but we must prepare for it. Many people are saying that Russia cannot veto it, which is true, but they are forgetting that Russian views are taken into consideration at NATO headquarters and this delays matters. In my view, NATO expansion will come in 1988, or rather only at the turn of the century.

[MAGYAR HIRLAP] When will the government submit the draft reform of the military forces, whose implementation it has actually begun already, to the Defense Committee and parliament?

[Sebok] As far as I know, coordination in the ministry is under way at the moment. If the draft comes before the Defense Committee, I will have firm arguments in favor of reducing the country's military forces, including the border guard, from the current 90,000 to 40,000.

[MAGYAR HIRLAP] However, the government is only planning a 30,000-man reduction....

[Sebok] In fact, it only wants to reduce the size to 75,000, and this would also be protracted until 1998. Both in the committee and in the parliamentary group, I most firmly advocate a reduction of the Army's size to 40,000 men and that this major reduction should be implemented by 1997.

[MAGYAR HIRLAP] What chances do you see for your views to be accepted?

[Sebok] I find it difficult to think of counterarguments that would sweep mine off and I believe that our committee and both of the government-side parliamentary groups will support it.

Finance Minister Bokros on Economic Package

AU0405143595 Budapest NEPSZABADSAG in Hungarian 1 May 95 pp 1, 18

[Interview with Finance Minister Lajos Bokros by Katalin Bossanyi; place and date not given: "Bokros Does Not Yield as Regards the Package, and Speeds Up

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Reforms—Joint Customs and Tax Office From Autumn—Lobbies Slow Down Privatization"]

[FBIS Translated Text] The major reform steps cannot be implemented through force; they have to be discussed with the area's experts and the trade unions, Finance Minister Lajos Bokros said. He exercised some self-criticism when he acknowledged that there is no possibility for another "professional coup." However, he made it clear that he is not willing to yield, as regards his program, at the Interest Coordination Council's [ET] session on 2 May. He indicated that he is preparing for more radical reforms in autumn, reforms that will affect state and public administration and the welfare systems. He said in reply to our question that control of the tax and customs offices will be merged and a state treasury will be set up. According to Bokros, lobby interests hinder the acceleration of privatization in the energy sector, and in the case of badly managed banks, organizational and personnel consequences may need to be drawn.

[Bossanyi] The parliament has begun the plenary debate on the stabilization package. The opposition is attacking, and the coalition parties, expressing their conceptual support, have doubts, on the one hand, and, on the other hand, are submitting new proposals. What is the balance of the two days?

[Bokros] Unfortunately, a professional debate has not developed. The political fronts have hardened. Although I have the coalition parties' support, some deputies on the government side wish to amend certain details in a way that would affect the whole package. A delicate balance will be needed, because the government has little room for maneuver. In my view, the proposals that suggest different sources instead of the planned welfare savings are not economically rational, or do not release the funds that are necessary for the budget.

[Bossanyi] Does this mean that you are sticking to the original concept?

[Bokros] We must adhere to it because in the short term there is no alternative other than bankruptcy.

[Bossanyi] At the weekend, Sandor Nagy, chairman of the National Federation of Hungarian Trade Unions [MSZOSZ], said in a statement that if the essence of their proposals is not accepted, it could lead to a split. What are your views on this?

[Bokros] The battle will be today. We accept all rational amendments—we have already agreed on several issues—but no possibility exists for changing the essence. As a matter of fact, after the last government session, we also discussed this in the prime minister's office. Gyula Horn made it clear to Nagy that this was the government's position.

[Bossanyi] The vision of a more efficient, more just state keeps appearing in your efforts. At the same time, it can be seen that you were not even able to consistently adhere to your reform of the family support system that had shocked the public. You first spoke about the principle of means-testing that would have applied to people living below the subsistence level. Now you are saying that only the richest 15 to 18 percent of families will be affected by the reductions. Were your calculations so bad—or is the domestic income structure so bad, so squashed together?

[Bokros] The latter. From the assessments of effects, it became absolutely clear that there is a great concentration at around the 25,000 forint [HUF] income limit, therefore, the so-called middle strata are also very vulnerable. It can be seen that 3 million people are living below the subsistence level and another 3 million can just about make it to the end of the month, but cannot accumulate or save.

The remaining 3 million have very big differences, and we can move only within this sphere. This is the way the HUF25,000 limit was set—which means a gross HUF100,000 income, in the case of a family with two children and two earners. The average income was HUF33,000 last year, and the average will remain below HUF40,000 this year, too. The limit is above the average.

[Bossanyi] So, have you yielded here, compared to the originally planned needs limit?

[Bokros] Yes, I have.

[Bossanyi] Can we deduce from this that you will also be more flexible in wage bargaining?

[Bokros] Unfortunately, I cannot be. If there is no self-restraint, then this year's balance-improving measures will fail, the payment balance will continue to deteriorate, and the enterprise stimulation that is to serve sustainable growth might also be halted. Therefore, to limit the domestic demand, we need self-restraint by employers and employees. If we cannot achieve this during the wage talks, then either we will not be able to maintain our devaluation policy or inflation will accelerate.

[Bossanyi] It is not the planned welfare measures that will bring the biggest savings in the package. Their significance is that they indicate the government's changed attitude and commitment to the reform of the major distribution systems. However, if this is so, then I do not understand why it is impossible to bargain and perhaps to give in to other professional ideas?

[Bokros] The psychological breakthrough is indeed important: We have slaughtered some sacred cows. However, the HUF170 billion package consists of HUF100 billion of savings and HUF70 billion of increased revenue. Almost half the HUF100 billion savings come from welfare measures, including staff cuts in the state administration and among public employees. The dynamics of the measures cannot be ignored, either: If we stick to this road, then we can save twice this year's amount for the budget next year.

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One-Off Shock

[Bossanyi] Does this come from accelerating the reforms or extending the lawn-mower principle [cutting everything evenly]?

[Bokros] Definitely from the reforms. One consequence of this is that we will prepare a balanced budget for next year. We will present the guidelines to parliament in June. In addition to this, we will continue to streamline the state and public administration this year. The second phase—which is to take place in autumn—is based on examining the functions and tasks, and, accordingly, staff cuts will be much more differentiated and bigger than before. We are also working full steam ahead on preparing the reform of the welfare systems. We will present the professional alternatives to the public at the end of May. This time it will not be coup-like because it was only possible to do this once, to make politics and society recognize the size of the problems. However, the major reform measures cannot be implemented through force: They have to be thoroughly discussed with the profession and the interest-representation groups.

[Bossanyi] Returning to the current welfare measures: Why is it not possible to accept the professional-technical proposal that wishes to integrate the child support system in the tax system?

[Bokros] This is not a technical question because it affects the reform of the whole tax system. Anyway, we cannot touch the tax system in the middle of the year. We will do this in autumn when, linked to the other reform measures, the tax system will also be changed.

[Bossanyi] How? It would be good to clarify this, because we keep hearing about "ideas" yet new. This makes entrepreneurs and the population uncertain, because it calls into question the stability of the tax system.

[Bokros] We are shifting personal taxation toward a family income tax system. We will not reduce company tax. We do not wish to tax capital incomes because we assume that they have already been taxed. However, if possible, we will reduce the social insurance contribution—although this is not a tax.

[Bossanyi] In the case of the support for children, one of the biggest objections against the HUF25,000 limit is the fact that it is based on income declaration, which is very unreliable.

[Bokros] This is precisely the reason the tax declaration system has to be improved. Our efforts are linked on this point, too, to the fight against the illegal economy. The tax office will have the opportunity to examine family's income and compare it with the family's assets. The burden of proof will be reversed: So far, the tax office had to prove that someone built his HUF100-million villa from illegal resources. This is the very reason I support the idea that the Office of Tax and Fiscal Auditing [APEH] should have investigation rights. I would like a tax office that collects taxes and insurances in a single place. These can include taxes, customs duties and fees, and even the social insurance contributions.

[Bossanyi] When could this unified system be established?

[Bokros] We would take the first step in September: The APEH and the National headquarters of the Customs and Revenue Police will get a joint supervisory and information system and will be given joint investigation possibilities. In the second phase, we would integrate the duty-collecting offices into this system. The Social Insurance Board would only need to give up its collection of duties technically. However, they do not even want to hear this, because they believe it would reduce their independence. We still have to have talks on all these issues. In my view, all public dues have the same value, regardless of the reason for which they are collected. It would also be very important to make this principle prevail from the viewpoint of collecting and distributing debts.

[Bossanyi] Are you so strict only with the budget revenue?

[Bokros] We are taking even more radical steps on the expenditure side. In addition to merging the tax- and duty-collection offices, we will also set up a state treasury. As of 1 January, the expenses of the central budget and separate designated funds, and the specific support of self-governments will be changed over to a so-called net financing. This is a stricter and more frugal system.

[Bossanyi] According to experts, these proposals are for a "leaner and cheaper state"; nevertheless, they lead to setting up new, expensive, and inflexible offices.

[Bokros] We are not "manufacturing" new offices. The treasury will be based on the county directorates of the State Development Bank and the Hungarian National Bank, and with fewer people than before. As for financing the self-governments: In the course of the reform of state administration, we wish to provide support for fewer purposes, and at the same time increase the local governments' independence in decisionmaking.

[Bossanyi] What will happen to the designated state funds that are seen as "lobby money"?

[Bokros] We will close down most of them, and we will give support from the budget for implementing major state tasks. This also promises a more efficient and more just operation of the state.

Difficult Privatization

[Bossanyi] The debate on the supplementary budget will begin this week. The State Auditing Office [ASZ] had two objections: The supplementary customs duty might not bring in as much as expected, and there is no sign of the HUF150 billion privatization income. Have you considered these views?

[Bokros] As for income from supplementary customs duty, we calculated HUF56 billion, expecting a lower

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turnover for a start. The case of the privatization incomes is more difficult. I accept the ASZ's criticism here. I also consider privatization policy to be the government's most sensitive area. One point is that we are struggling with a law without which, as a matter of fact, we could have privatized faster, and another is that the government is not making progress in primary strategic areas because of the increase of lobby interests.

[Bossanyi] What do you mean, concretely?

[Bokros] For example the privatization of the electricity industry. Here it can markedly be shown that the Industry Ministry and a section of the electricity industry's leadership, in alliance with the mining unions, form a rock-solid interest group, and they hinder the acceleration of privatization by submitting coup-like counterproposals.

[Bossanyi] In other words, you again consider it doubtful that the HUF150 billion privatization income will be achieved?

[Bokros] This would indeed be the case if we gave room to lobbying. However, for the time being, it seems to me that, in spite of the debates, privatization in the electricity and gas industries can be speeded up according to the original plans. The issues of regulation are unavoidable: A codification committee, including foreign advisers, will be set up to deal with this task. It will be possible to call in the bids in June, and contracts can be made in the autumn. We will also begin the second phase of privatizing the Hungarian Telecommunications Enterprise, and the sale of certaom banks can also make progress. All in all, I am still optimistic. However, I would like to call attention to a very important momentum: Maximizing the income by all means is not the goal of privatization. If this were so, then the yield could be sold now, while still unharvested. We have several foreign offers that would, for example, lend us money for future privatization incomes through various debt-exchange deals. However, this would be a real wasting of public property and I will not allow it.

[Bossanyi] Rumor has it that your views clash with those of the privatization minister on this issue.

[Bokros] I would not like to react to this just now. We have an agreement with [Privatization Minister] Tamas Suchman that no decision can be made on privatization issues without the economic cabinet.

[Bossanyi] You have mentioned the privatization of banks. Why did you "get rid of" the government commissioner responsible for bank privatization, who is said to be an excellent professional?

[Bokros] We had different concepts. I want strategic investors in all banks. This also applies to the National Savings Bank. I generally prefer more radical solutions. I will not give any scope to any more consolidation methods—and, I believe, the personnel and organizational consequences will also have to be drawn, where justified, for the past lower efficiency.

[Bossanyi] Have you heard the accusation that you still look at the banks' privatization efforts as a former bank leader: if you like: as a competitor, rather than from the horizon of a finance minister?

[Bokros] I have not, but it is not true anyway. However, it is true that I am much stricter in assessing the banking sector's operation than my predecessors were. Big reserves exist in efficiency, and management is not always in full control. I would find it strange for precisely the banking system to exclude itself from rationalization, saving, and increasing efficiency while we are are doing these in the whole economy, including the budgetary areas. Would the public not find this unjust?

I Reckon With the Risks

[Bossanyi] You said that you often act like an elephant in a china shop. You bash your head against the wall in banking matters, and turn all the intellectuals against you by putting social insurance contributions on their royalties. Why have you opened such a wide front?

[Bokros] Because the trouble is very big. And because I seriously think that we need a more equitable general sharing of the burdens—and various groups cannot exclude themselves from this just because they can get bigger publicity to assert their interests.

[Bossanyi] Let us assume that you manage to push the package through parliament. Are you not afraid that the effects of the measures that generate social tension will quickly be felt, while, due to the nature of the processes, the favorable economic effects will come only later? In the meantime, you will lose your support....

[Bokros] I reckon with this risk, but this will not make me retreat.

Union Leader on Austerity Measures, Alternatives

AU0405155595 Budapest NEPSZABADSAG in Hungarian 29 Apr 95 pp 1, 10

[Interview with Sandor Nagy, chairman of the National Federation of Hungarian Trade Unions, by Katalin Bossanyi; place and date not given: "The Economic Package Could Be the Divide"]

[FBIS Translated Excerpt] [Passage omitted] [Bossanyi] The trade union movement is divided. Conflicts are arising between the trade unions operating in the competitive sphere and public employee trade unions, rather than between the confederations.

[Nagy] Many people want to make us confront each other but fortunately they have not yet succeeded in this endeavor. There is a natural conflict of interests: the burdens of people working in the real sphere cannot be increased in order to maintain a state that does not work well. This does not mean that we do not support the justified endeavors of public employees or that we do not show solidarity with them.

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[Bossanyi] The biggest conflicts are expected precisely in the public employee and public services sphere!

[Nagy] That is true—if the government views the entire necessary rationalization as something that has to be done because there is no money. A different approach could be used, however: a review of government tasks and modernization of healthcare and education financing and operation. This requires a debate of experts, and the trade unions could be partners in such a debate. [passage omitted]

[Bossanyi] You said once that one can accept self-sacrifice when one can see the reason for sacrifice. Do people see that today?

[Nagy] This is one of the big problems of the government's recent package. It is not clear to society where we are going if we carry out these measures.

[Bossanyi] You once said the following: "If there is no wage agreement in the Interest Coordination Council, we will call upon the trade unions to enforce basic wages." Does this mean a strike action?

[Nagy] If no agreement is reached on the rate of wage increases proposed this year, we will call upon the sector trade unions and enterprise trade unions to use every means at their disposal to reach such an agreement.

[Bossanyi] When?

[Nagy] Within weeks. [passage omitted]

[Bossanyi] You mentioned that, inevitably, you accept that the difficult economic situation makes it imperative to revise the current welfare system. Why?

[Nagy] Unfortunately, we must come to terms with the thought that need has come to the fore. However, our proposal combines individual eligibility with need. We have worked out solutions to support families that, although it would mean less savings, would be much more just than what the government proposes.

[Bossanyi] Do you wish to discuss all this in the Interest Coordination Council?

[Nagy] Yes, next week. But to be on the safe side we will also submit alteration proposals to parliament.

[Bossanyi] You declared the following: "If our proposals do not meet with understanding, it is obvious that the National Federation of Trade Unions will also have to draw the necessary conclusions." What does this mean?

[Nagy] I think our congress scheduled for 5 May will react to this.

[Bossanyi] You can say one of two things: We acknowledge the situation, or we will employ various means of labor struggle.

[Nagy] I think the latter is much more plausible. [passage omitted]

Torgyan: Only FKGP Suitable for Government

AU0505102795 Budapest NEPSZABADSAG in Hungarian 2 May 95 p 11

[Interview with FKGP Chairman Jozsef Torgyan by Jozsef Szabo Bartha; place and date not given: "Torgyan: The Viper's Nest Has To Be Destroyed!"]

[FBIS Translated Excerpt] [Passage omitted] [Torgyan] The Independent Smallholders Party [FKGP] is indeed preparing to win the next parliamentary elections. It is a fact that the government led by the Hungarian Democratic Forum [MDF] spectacularly failed. It is also a fact that the postcommunist-liberal coalition that replaced it is fast losing its positions. I also take into consideration the fact that, in addition to blaming communism, people will also blame the forces that were intertwined with it—namely the MDF, which, in 1989, was a gathering party of people who had left the Hungarian Socialist Workers Party. The MDF is to face a serious test. Many people will be forced to leave it. This can also shake the parliamentary group, and it will even have to struggle to get into parliament with 5 percent [of the votes]. Therefore, no party but the FKGP can be taken into consideration as an alternative to the current government.

[Bartha] Not even the Christian Democratic People's Party [KDNP] or the Federation of Young Democrats [FIDESZ]?

[Torgyan] In theory, we can still consider these parties. The KDNP remained an ally of the MDF to the last minute of the ignominiously failed government, and its new image is still being formed. In addition, their parliamentary group is also divided: 50 percent follow the failed [former chairman] Surjan-line and 50 percent support the new chairman, Gyorgy Giczy. The FIDESZ changes its political image as often as others change their underwear. It has neither a program nor a membership. This fact also projects the FKGP's forward march.

[Bartha] Would the FKGP govern on its own?

[Torgyan] We have indicated a number of times that we consider the KDNP as our natural ally. The same can be said about those MDF-member and nonparliamentary conservative and national-populist forces who have not been discredited. I can also imagine working together with those conservative FIDESZ politicians who have no earrings and who do not belong to the liberal-communist Orban-Deutsch group that keeps dancing to the left and to the right. [passage omitted]

[Bartha] Let us assume that the FKGP becomes a dominant governmental force. What will happen to reprivatization, which is said to be the party's basic program? Almost everything has had many owners in this country. Will you take everything away from everyone and then return them to the original owners—if they can be found at all?

[Torgyan] On the basis of constitutionality, the FKGP has always considered the sanctity of property and the restoration of original ownership conditions to be important.

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However, it remained alone with this view in Parliament. In the meantime, ownership and owners have been changed so many times that to interfere in this would create legal chaos and irreparable damage. Therefore, we are saying that we are sorry but it is not our fault that people cannot get their former property back. For this they can thank those responsible. However, in places where this does not cause any problems and the affairs are clear and unequivocal, we will restore the ownership conditions.

[Bartha] What else is in the FKGP's program in addition to reprivatization?

[Torgyan] No serious political force will reveal the details of its strategic plans that determine the future. The FKGP will not do this, either, otherwise how would it be able to win the 1998 parliamentary elections? [passage omitted]

[Bartha] Nevertheless, I ask you at least to inform us about the headlines of your program.

[Torgyan] I have already told you that this is part of our election strategy. However, I will draw attention to some elements: We need a complete change—not only in the economy but in all areas of life. Because the trouble is so big. [The changes are needed] not one after the other but all together in a complex way.

Economic Keystones [subhead]

[Bartha] If you could mention some "signposts..."

[Torgyan] Settling the foreign debt is one of the two pillars of boosting the economy. [passage omitted] The FKGP considers it urgent to settle this issue. We are not thinking of one-sidedly refusing to repay the loans, we have never said anything like this. Rather, we suggest placing the management of loans on completely new and rational bases. However, I will not say anything more on this because this can only be implemented from a position of power.

[Bartha] You mentioned two pillars, which is the other?

[Torgyan] We must not by any means intervene in the economy with the former "holy trinity" of bad diagnosis, inadequate therapy, and weak implementation. A booming economy has to be established that can bear the astoundingly high payment burdens. The elements of the FKGP's alternative program are the following: stability of regulation, support for enterprises, stimulation of competition, stimulation of increasing domestic supply and exports, deregulation, regulation in other cases, suppression of the illegal economy, and last but not least: facilitating a clear privatization.

[Bartha] The Nemeth, Antall, Boross governments, and the current one have also advocated all these.

[Torgyan] Our program also pays attention to the priorities of various branches of the economy, among others, to infrastructure, the divisions of the country, and the fast development of the most underdeveloped regions. The reform of state administration is also a part, and we will also put banking in order. It is not at all an exaggeration when I say that during the time Ivan Szabo was finance minister, some 350 billion forints were thrown away under the guise of bank consolidation. Szabo even declared himself a genius for this. The banks lent many tens of billions of forints, often exhausting the notion of crime, and rather than investigating all these manipulations, the government legalizes the outstanding debts and consolidates billions again.

[Bartha] Are you not deterred by the thought that a total reassessment of privatization, banks, and "another hundred" areas has a great chance of promising total chaos, rather than order? Are you not at all afraid?

[Torgyan] I am not afraid because I believe that a decent politician must prove his ideas with his deeds rather than the other way round. My starting point is that this country can only be saved if we rid it from the dirt, filth, and stench. However, it is impossible to let in the fresh air while thieving bankers receive millions [of forints] in salaries and bonuses. And not only them. Everyone can have a luxury car here except for those who create wealth and who cannot even buy a tram ticket. I repeat: We need fundamental changes. We [illegible] not have a boom until we look at, for example, the [illegible]son the members of the Constitutional Court have to receive 120 percent of the ministerial salary while they place themselves above Parliament and everyone, and bring decisions as they please. [passage omitted]

[Bartha] What can the media expect?

[Torgyan] The issue of the public service television and radio has to be settled among the first measures. I would apply the same measures to both. First of all, I would set up a small supervisory committee that would also ensure legality. Then I would end the government's contribution and would not give them any money at all. I would also end the employment of all workers and then I would make new contracts with them one by one, assessing them individually, with the help of the supervisory committee.

[Bartha] You are promising a total change, to say the least....

[Torgyan] The public service media must be cleared of the current mafia system by all possible means. The wasps' nest and the vipers' nest has to be destroyed, otherwise no order can be created. [passage omitted]

[Bartha] In your latest speeches, you took the presence of Hungarians in the Carpathian basin, their original settlement here back to 4,000 years ago. On what do you base this big leap back in time that differs from the text books?

[Torgyan] This is also misunderstood and misquoted. The settlement of Hungarians in 896 is officially accepted. At the same time, I have to point out that the text books are mistaken in several historic facts. [passage

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omitted] Certain data in Turkish archives clearly indicate that the 896 settlement was actually our second one, our second return. The first one must have been at around 371. These are historic facts, which should be more thoroughly examined by the Hungarians. Every self-respecting people carefully investigates its own past. We have not done this and, in fact, when someone raises this issue, he is ridiculed. In the meantime, peoples around us are beginning to outbid us. For example, the Romanians regularly refer to archaeological findings that date their origins way before that of the Hungarians. Against such research, we can and should present, for example, the results of the diggings at Tatarlak, where 6,000-year-old runic writing was found that can clearly be connected to the Hungarians. Even on the basis of logic it can be established that many Hungarians must have lived here before the "settlement." This is also proved by the fact that the Hungarian troops coming in at full speed occupied the Carpathian basin in a few hours. This was only possible in one way: If they did not have to fight, only march into their designated quarters. [passage omitted]

[Bartha] Contrary to other politicians, who think in terms of "Greater Hungary," you have a post-Trianon "Small Hungary" map hanging above your office desk. Is this by chance?

[Torgyan] Politics is a science of realities. I also start from the current reality. Naturally, this does not mean that I cannot see what another reality could be. The Germans after World War II, and the Hungarians some time after Trianon believed: "Always to think about what we do not utter, and never to speak about it." Why could this not be even my motto in a given situation? I am absolutely convinced that Hungary's possibilities are much greater than what is raised by its narrow-minded politicians.

The Fire Is Ablaze in Me

[Bartha] For example?

[Torgyan] As to the Subcarpathian area, the Hungarians would have had a completely different opportunity than was noticed by Jozsef Antall, or rather was not noticed by him because of his blinkers. Hungary has many possibilities for the future that have not been utilized. However, these are not to be discussed in public.

[Bartha] You normally end your speeches saying "For Victory!" What makes you think that this would also be good for us who are not smallholders?

[Torgyan] A force that is blessed with talent should at last win in Hungary. I dare say that it is possible to break out of our currently impossible situation in an incredibly short time with an appropriate level of leadership. Do not take this as pretentiousness, but I never looked back, even amidst the attacks on my person. I was beaten, hit, kicked, and spat on when and wherever they could reach me, but I kept marching ahead. This is the way one should also think about the country's situation. Rather than constantly looking for the reasons for failures, we must seek out the possibilities for going forward. Rather than looking at our poverty and listing our doubts, we should look at our possibilities. Why could we not be better than the United States or the small and big tigers, or anyone else in the world? He who believes in this can achieve miracles. And he who does not have this fire will always fail.

[Bartha] I imagine that this fire is ablaze in you....

[Torgyan] I have enough fire in me to achieve what I believe in.

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Walesa Gives Speech During 3 May Celebrations

WS0405134095 Warsaw PRESIDENTIAL PRESS OFFICE INFORMATION SERVICE in Polish 1651 GMT 3 May 95

["Text" of speech by Polish President Lech Walesa at celebrations marking the 3 May Constitution holiday in Warsaw's Pilsudski Square on 3 May: "Third May Holiday Celebration"]

[FBIS Translated Text] Ladies and Gentlemen! Countrymen!

Two historical events distinguished our nation quite uniquely: The regaining of independence and the adoption of the 3 May Constitution. The former was the dream of several generations of Poles, a dream that came true. It was the result of armed combat and diplomatic efforts. It was a breakthrough moment in the history of the nation. It was the rebirth of the existence of the state. The adoption of the Constitution was an event in this history. It was an event which did not change the course of history. It did not stop the process of the Republic's decline. It did not bear fruit but was crushed under the debris of the crumbling state. Nonetheless, the memory of it has not died, even though two centuries have passed since that time. The memory is here, surrounded by the respect of many generations.

The 3 May Constitution was a result of an intellectual effort. It remains the proof of a great spiritual undertaking. The respect for the memory of it contradicts opinions on the Polish character, on our innate aversion to wise action, on the romantic sole that is only capable of taking part in armed combat.

The governmental law, the work of the Four-Year Sejm, was a unique and courageous accomplishment. In the reality of the 18th-century Republic, it was a revolutionary achievement. It was the second Basic Law, after the American one. It was the first constitution in Europe. It was the work of men of intellect, of great people of that epoch. It did not, however, become what it was to be—the foundation of a new state, a basis for a thorough reconstruction. It was too late for reconstruction. The fate of the Republic had already been decided in foreign courts. In Warsaw cards were dealt and money was distributed by a Russian deputy. He recruited corruptible people to a legion that obeyed the empress—a legion of the country's traitors which was to legitimize [uwiarygodnic] an invasion—an invasion carried out by an empire which saw a zone of its interests in the country on the Vistula River.

Poland has become very familiar with this scenario; it has experienced it on many occasions. This justifies our current sensitivity to arguments on zones of interests. Between the Oder and the Vistula Rivers, between the Baltic and the Carpathians, is a zone of Polish interests, not the interests of any foreign states! These borders specify and limit our interests. We want relations with our neighbors to be as good as possible. We want to look to the future, not to the past. This, however, requires that others also give up habits of the past, abandon the imperial mentality and imperial language. It is not possible to separate historical notions. In the country on the Vistula River, foreign interests meant Polish victims. Poland does not want to live with the memory of them. It does not want to open wounds or nurse grudges. It cannot, however, forget them when it hears a returning melody of the past.

We have taken on the task of reconstructing and improving the state. We made this decision thinking about our future, about a better future of Poles. We want to accomplish this alone, with our work and by a joint effort of the nation. We need a time of peace. This is all we need. We are not interested in foreign interests, if Poland is not a object of such interests. It was such an object for too long in the past. The price that Poles paid for it was too high. It is written on the plaques of the Tomb of the Unknown Soldier. It is our primary goal to see to it that this tragic list does not include any more names.

Ladies and Gentlemen!

Today we are paying tribute the authors of the 3 May Constitution, to the men of intellect, to those who were ahead of their time and to their farsightedness. Let this anniversary encourage us to think about the fate of the nation, the fate of Poland. However, history ought to keep teaching us. That fragment of our history, even though it is so remote, does not seem to be entirely mute. Especially today. Especially to our generation, to whom fate has assigned the task of reforming the state. To whom it has given a great chance.

Let us be worthy heirs to the authors of the 3 May Constitution.

Walesa May Win Election Despite Popularity Loss

WS0405125195 Poznan WPROST in Polish 30 Apr 95 p 20

[Article by Boguslaw Mazur: "Is Lech Walesa Losing Power? Back to the Past"]

[FBIS Translated Text] *"I am for a parliamentary system but only once the political system is in order. After 10 years at the latest it should be parliamentary, but for up to 10 years it should be more presidential and operative in terms of legislation," said Lech Walesa when asked what model of power he advocates.*

Meanwhile, it seems that Lech Walesa is no longer capable of carrying the burden of a strong presidency. Despite the many charges with which he has been faced, he was still regarded as the "chief player" on the political scene until just recently. It is now becoming increasingly more visible that...

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Lech Walesa Has Lost His Efficiency.

The first signal showing the president is alienated was the failure of the Non-Party Bloc in Support of Reforms [BBWR]. "Only 50 percent and one vote. I fear we may get much more than that," said Andrzej Kozakiewics, under secretary of state at the President's Chancellery, in an interview with WPROST before the previous elections. In reality, BBWR got 16 seats in the Sejm and two in the Senate.

Prime Minister Pawlak's inaptitude gave the president more breathing room. The final outcome of a series of attacks was winning the wrangle over tax thresholds, albeit resorting to legal loopholes. At the same time, however, because there was a real threat that parliament might be illegally dissolved, the coalition and part of the opposition consolidated their powers. As many as 346 deputies voted for the sovereignty of the National Radio and Television Council [KRRiTV] from the president by depriving him of the authority to appoint its chairman. A majority of 303 deputies overruled the presidential veto to the amendment of the small constitution; thanks to the amendment the parliament may continue to assemble after it is dissolved and before a new term begins. The president failed once again when the Constitutional Tribunal passed a ruling that the dismissal of Marek Markiewicz from the post of KRRiTV chairman was illegal.

The president is trying to regain his popularity by playing the conflicts between leaders of traditionalist rightist parties to his own advantage. Compared with them, Walesa may seem to be the only candidate measuring up to rivals from both the center and the left. Especially as some of the rightist politicians support his reelection. The thriving cooperation with Solidarity also gives hope that the circle of his supporters will grow. Anticommunist rhetoric and threats of placing the president before the Tribunal of State contribute to the cementing of this part of the constituency.

The growth of the number of voters may depend on the stance the president takes on participation in celebrations commemorating the 50th anniversary of World War II. As much as 71 percent of people polled by the Center for Research on Public Opinion agree that the president should celebrate this anniversary in Poland. On the other hand, however, how many of Walesa's potential supporters understand why he attacked the prime minister for going to the Moscow celebrations, only to later send Andrzej Zakrzewski, his under secretary of state, as his representative? The problem of communication between the head of government and the head of state, that emerged in the course of the conflict on Oleksy's Moscow visit, may give rise to ambivalent feelings. To top that, obvious mistakes in shaping public opinion have been made.

"I Was Here All the Time, Removing the Rubble"

"But I was here incognito because I knew people were working and that they should not be disturbed," said Walesa, as an excuse for his late visit to the site of the apartment bloc disaster in Gdansk [which blew up in a gas explosion].

Lech Walesa's tactics are now primarily targeted at gaining the support of advocates of traditional values and decommunization. Paradoxically enough, he thus enhances the consolidation of the constituency of the Democratic Left Alliance [SLD]. It may happen that the current president and [SLD leader] Aleksander Kwasniewski may stand opposite one another in the second round of elections. Walesa's chances are growing as he may win the support of many of his current opponents who will "choose the lesser evil." To prevent a "comeback of the Polish People's Republic," Walesa will have to revive it first.

NBP Fails To Keep Kolodko's Promise to IMF

WS0505113595 Warsaw GAZETA WYBORCZA in Polish 5 May 95 p 16

[Article by Jacek Kalabinski in Washington and Konrad Sadurski: "Poland-IMF; Conflict With the Fund?"]

[FBIS Translated Text] *The IMF Council has indefinitely suspended its decision on entering an agreement with Poland. The alleged reason is that the National Bank of Poland [NBP] has failed to submit a written statement that it will lower interest rates, we unofficially learned in Washington. The NBP president firmly excludes the prospect of entering such an obligation with the IMF.*

Finance Minister Grzegorz Kolodko made a declaration to the IMF on behalf of NBP that interest rates will be lowered. During his visit to Washington last week, he convinced IMF head Michel Camdessus that the NBP president has already agreed and that a statement on the promise to lower the rates would be faxed on Monday [1 May].

Until yesterday, however, the fax has still not been sent. The IMF has thus suspended its approval for the agreement.

"The contents of the letter the IMF is waiting for are confidential. It will definitely not mention interest rates," NBP President Hanna Gronkiewicz-Waltz told GAZETA WYBORCZA yesterday.

The agreement between the IMF and Poland is a report on keeping certain economic parameters (such as the level of the budget deficit, or the level of currency reserves), which are calibrated annually. The fate of future loans from the IMF depends on whether the Fund approves the agreement and readjusts the new parameters.

Despite recent claims made by Deputy Prime Minister Kolodko that the Polish economy can do well without those loans, the approval of the agreement is very important for us. That decision influences our image

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abroad, which in turn is decisive in whether foreign companies invest their capital in Poland or not.

The wrangle between the central bank and the Finance Ministry has been going on for quite some time now. Interest on loans and savings in commercial banks depend on the NBP rates. NBP, having raised interest rates last February, claims the decision had to be made because of high inflation, and agrees to lower the rates only under the condition that the monthly inflation rate for April is below 2 percent (the Central Office of Statistics is to announce the official figure in mid-May).

In revenge for the lack of a clear declaration on this issue, the Finance Ministry may not agree to the floating of the zloty which would allow the exchange rate to foreign currencies to be fixed by the banks themselves, and not—as it has been thus far—by NBP.

At a meeting held last week with Prime Minister Oleksy, both sides of the conflict—the finance minister and the NBP president—agreed to the floating of the zloty. No progress has been made since then because—as we learned at NBP yesterday—the case is stuck in "interministerial consultations." Although an NBP instruction on the new principles of fixing the rate of the zloty was approved by the minister of foreign economic cooperation, the minister of finance has not yet issued an opinion.

The lack of agreement jeopardizes the preset date for floating the exchange rates of 9 May.

The NBP president told us yesterday that the zloty will definitely be floated by 15 May. She added that she is ready to allow the Finance Ministry to establish an exchange rate commission, provided it would act only as an advisory body, similarly to the Committee of Servicing Public Debts that has already launched operations. Members of that Committee counsel the finance minister on how to cut the costs of servicing debts.

Central Bank Head on Interest Rates, Zloty

WS0505110095 Warsaw NOWA EUROPA in Polish 28 Apr 95 p 15

[Interview with Hanna Gronkiewicz-Waltz, president of the National Bank of Poland, by Mariusz Ignatowicz, Waldemar Kedaj, Zbigniew Maciag, and Adam Maciejewski; place and date not given: "We Are Not Keeping Interest Rates at This Level at All Costs"]

[FBIS Translated Excerpt] [NOWA EUROPA] Now that a few months have passed since the decision was made, do you think it was a good idea to raise interest rates?

[Gronkiewicz-Waltz] I believe that it was the correct decision and, actually, it should have been made earlier. Even those who thought otherwise, after the January inflation results were revised (from 3.9 to 4.1 percent—editor's note) admitted that I had been right. It was not an easy decision, because for a few years we had only been lowering the rates. This intervention was to prevent the decrease in interest rates on bank deposits. If the rates were unattractive, the supply of money would increase, that is, an additional inflationary impulse would be generated.

The reason for raising interest rates was not, however, only the results of January. We were watching the situation and we remembered the 4.6-percent price increase in September. Apart from last December, annual inflation remained at the level of over 30 percent last year. It fell to 29.6 percent in December, but then we witnessed another increase. It is false to say that inflation has been decreasing since the beginning of the year. In nominal terms, it is decreasing, but it should be remembered that the forecasts were different. The inflation was to be 2.6 percent in January, not 4.1 percent. It was to be 1.9, not 2.1 percent, in February.

[NOWA EUROPA] You say that the lowering of inflation is the fundamental condition for reducing interest rates. When will the National Bank of Poland [NBP] be able to make such a decision?

[Gronkiewicz-Waltz] It is difficult to predict this in our economy. The main consideration here is the level of inflation, especially confirmation of its trend toward decreasing. We will certainly not keep these rates at this level at all costs. We have also announced that the zloty exchange rate will be floated soon. This will allow more freedom in lowering or raising interest rates. We want the people to be aware that such changes are possible not only in alarming situations.

[NOWA EUROPA] What will be the changes in the fixing of the zloty exchange rate?

[Gronkiewicz-Waltz] What we will introduce within the next few weeks is to make it easier for banks to deal with exchange rates. The crawling peg [preceding two words in English] system will still be operative, but far bigger exchange rate differences will be possible. For example, the difference between the exchange rate in a given bank and the rate fixed on that particular day by NBP may be 3 percent. In the European foreign exchange system, these limits have been set at plus or minus 6 percent. In Portugal, for instance, the limits were for some time even 15 percent. In Poland it will be the first step toward almost completely floating the zloty.

[NOWA EUROPA] What stand has been taken by IMF on these changes?

[Gronkiewicz-Waltz] It was IMF that encouraged us to take this step. We worked on it as early as last autumn, and at a conference in Madrid we asked the IMF for technical assistance. All economists are aware of the fact that crawl [preceding word in English] is a temporary solution. [passage omitted]

[NOWA EUROPA] For some time now a lot has been said about plans to consolidate commercial banks. So far, however, not much has been done.

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[Gronkiewicz-Waltz] The central bank does not evaluate everything. It is a supervisor whose main concern is the safety of the banking system. There is no doubt that a simple, mathematical consolidation will not be a good solution. If two elements are joined, it does not necessarily mean that a whole will be created.

We are observing a highly alarming increase in costs during the preparation for consolidation. Moreover, there is great commotion within the boards of the best banks. For over a year now Bank Slaski has only had an acting president. A similar situation developed in Bank Przemyslowo-Handlowy a few weeks ago. A strange model was implemented there—the duties of the chairman of the board of directors are now performed by a member of the bank's Supervisory Board. I believe that it is only natural that it is the first deputy chairman of the board who becomes the acting chairman. [passage omitted]

I believe that generally what causes disputes is the desire of supervisory boards to run banks. This, however, is forbidden by the Commercial Code. I understand that one can make various decisions, but competence is the most important factor. [passage omitted]

I believe that it is really bad if in any shareholders' company, including banks, the [supervisory] board tries to make decisions which should be made by the board of directors. Several private banks went bankrupt because they were incompetently run by supervisory boards. It is a good thing if the supervisory board controls the board, but when it begins to take its place, it becomes dangerous. Everyone should play their own role and they should be responsible for it.

[NOWA EUROPA] How does the overall situation in banks look? What has improved over the last few months?

[Gronkiewicz-Waltz] As far as cooperative banks are concerned, there are still approximately 300 of them which are having some difficulties. Among commercial banks, 15 are in trouble, including those which have been suspended. Positive changes are occurring first of all in the sphere of consciousness. There is a clear trend toward merging banks for fear of financial difficulties. However, relatively little is changing. The portfolio of bad loans is being maintained, even though its dynamics has fallen. It should also be remembered that some of the loans that make up the group of dubious loans have been moved to the third group—the group of lost loans, which stabilizes the irregular portfolio.

[NOWA EUROPA] The draft law on NBP, which includes a proposal to set up a Council of Financial Policy, has already been submitted in the Council of Ministers. What powers will this organ have?

[Gronkiewicz-Waltz] The Council of Financial Policy is to consist of nine people appointed for a term of six years. It will be chaired by the NBP president, who will appoint two deputy chairpersons. Aside from them, the council will consist of two representatives of the president, the Sejm, and the Council of Ministers. Decisions will be made in a vote.

[NOWA EUROPA] Will the president still appoint the chairperson?

[Gronkiewicz-Waltz] The chairman of the council, that is, head of NBP, will be appointed by the Sejm on the motion of the president. This will strengthen the position of the chairperson. The proposal in line with which the chairperson would be appointed by the council was unacceptable. One must have greater powers to hold such an office. The chairperson is supposed to be first of all the head of the central bank, and only then head of the council. [passage omitted]

[NOWA EUROPA] A report drawn up by World Bank experts shows that Bank Gospodarki Zywnosciowej [BGZ] incurred far greater losses than was announced. At the same time it suggests that the current regulations should be used in the restructuring process. Do you think that it would be possible to make changes in BGZ with the help of current legal regulations?

[Gronkiewicz-Waltz] Most lawyers believe that, for example, only a special law would make it possible to decrease the number of regional banks. I am of the same opinion and I believe that it is best to use the quick legislative path. The parliament can pass such a law even within two weeks. [passage omitted]

[NOWA EUROPA] The Finance Ministry believes that consolidation of banks calls for more than just changes in the banking law. Has the ministry discussed this with the central bank?

[Gronkiewicz-Waltz] NBP changed some regulations on holding companies. There appeared an idea of a special law, a law that would regulate the consolidation issues separately. If, however, banks are to create new structures on their own initiative, they must be allowed to use the banking law. An extraordinary law is good for BGZ, because this is a quite special bank. All other banks which are shareholders' companies should use the Commercial Code and the banking law.

[NOWA EUROPA] Why does NBP insist on the consolidation model that involves a dominating entity?

[Gronkiewicz-Waltz] I believe that this is the highest stage of consolidation. This is how practical unions of banks are built all over the world. [passage omitted]

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Commission Criticizes Foreign Ministry Activity

AU0405161195 Bucharest Radio Romania Network in Romanian 1300 GMT 4 May 95

[FBIS Translated Text] The members of the Foreign Policy Commission met with Foreign Minister Teodor Melescanu at the Senate headquarters today. The dialogue, which both sides termed a normal working consultation, lasted over three hours and dealt with Romanian foreign policy strategy and the activity of the Ministry of Foreign Affairs. In this connection, the opinions expressed by the members of parliament were more critical than positive, according to statements made by Sergiu Nicolaescu, head of the Senate's Foreign Policy Commission.

At the end of the meeting, Melescanu said that one of Romania's priorities remains the normalization of its relations with its neighbors. As regards the signing of the Romanian-Hungarian treaty, Melescanu said that both sides agreed not to set any more deadlines. The Romanian and Hungarian delegations will take responsible and serious steps speedily to conclude a good bilateral treaty acceptable to both sides, our correspondent Dan Preda reports.

National Intelligence Institute Restructured

AU0405132995 Bucharest EVENIMENTUL ZILEI in Romanian 2 May 95 p 4

[Article by Daniel Capatos: "The Students of the National Intelligence Institute Must Sign Employment Commitments for 10 Years After Graduation"]

[FBIS Translated Text] A recently adopted government decision provides for a series of measures on the restructuring of the Higher Intelligence Institute into the National Intelligence Institute, which is subordinated to the Romanian Intelligence Service [SRI].

According to the law, the National Intelligence Institute consists of the Faculty of Psychology and Sociology; the Faculty of Communications Science; the Gradistea Center for Training and Instruction of Personnel and Reserve Officers; the Center for Training and Instruction of Technical-Operational Staff; the Section for Post-University and Doctorate Studies; the Section for Social and Humanistic Studies and Research; and the Publishing House of the National Intelligence Institute.

The length of the studies in the National Intelligence Institute is four years for regular courses and 5 years for correspondence courses, without the possibility of repeating a study year.

The teaching staff may also come from other educational institutions and may also consist of experts from the sphere of research or the state apparatus. The teaching staff will be paid by the SRI, in accordance with legal provisions.

National Intelligence Institute students will receive academic grades in accordance with valid legal provisions. At the end of the studies, the students will take an exam and the graduates will receive their degrees, which are acknowledged by the Ministry of Education. These diplomas allow the graduates, upon their retirement from the service, to be employed in civilian positions that require university studies. The graduates who do not pass the final exam will be issued certificates for having completed long-term higher education studies, accompanied by the proper registration documents.

Admitted Candidates Are Considered Conscripts

The candidates admitted to the faculties, centers, and post-university section of the National Intelligence Institute are considered conscripts.

The students will sign commitments through which they pledge to work as active military personnel for at least 10 years after completion of their studies. If he does not observe this pledge, or is expelled and placed on reserve duty because of acts of delinquency or serious violations incompatible with the quality of a soldier, the student or graduate is obliged to pay back the schooling and other maintenance costs, taking into consideration the time served in the service.

The maintenance costs include expenses for food, equipment, housing, the pay of teachers, and other student benefits.

Students who must interrupt their studies because of sickness or other reasons beyond their control will not have to repay the money spent on their education. Expelled students who are apt for military service will be sent to appropriate military units to continue their active military service; or, as the case may be, they will be placed on reserve duty, with their appropriate ranks, according to extant legal regulations.

AZI Lists Laws Barring Iliescu Reelection

AU0405141895 Bucharest AZI in Romanian 29 Apr 95 p 1

[Unattributed article: "The Reasons That Mr. Iliescu Cannot Run Again for the Presidency"]

[FBIS Translated Text]—Point 4 of Article 81 of the Romanian Constitution, which was promulgated by President Ion Iliescu, stipulates that no person can hold the office of Romanian president for more than two terms.

The president of Romania, as well as the Constituent Assembly accepted [in 1990, following the 1989 December revolution] that the first presidential term

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should be shorter than four years, as four-year periods, according to Article 83 of the Constitution represent the maximum duration, rather than the compulsory length of such terms.

Ion Iliescu was elected president on the basis of Decree No. 92/1990 for a first term (May 1990-October 1992) and on the basis of Bill No. 69/1992 for a second term (1992-96).

Article 10 of Bill No. 69/1992 on the election of Romania's president, a law that was also promulgated by Mr. Iliescu, stipulates: "Persons who on the day of the official registration of their candidacy do not meet the preconditions stipulated by Article 35 of the Constitution or persons who have already been elected for two terms as Romania's president may not run for Romania's presidency."

Army General Staff Chief Views Equipment

AU0405113695 Bucharest EVENIMENTUL ZILEI in Romanian 2 May 95 p 3

[Article by Oana Maiuga: "The Romanian Army Wants To Purchase Leopard 1 Tanks"]

[FBIS Translated Text] On Friday, 28 April, following an official visit to Brussels, Colonel General Dumitru Cioflina, the chief of the Armed Forces General Staff, stated that in the field of military equipment he noted especially the Leopard 1 tanks. Besides those tanks Colonel General Cioflina also examined combat vehicles intended for the infantry equipped with night vision devices and modern targeting systems. His conclusion was that the purchase of such military vehicles would be beneficial for our army.

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Opening of 7th Session of Constituent Assembly

LD0405174095 Mostar Croatian Radio Herzeg-Bosnia in Serbo-Croatian 1600 GMT 4 May 95

[FBIS Translated Text] Antun Mlikonjic, our correspondent from Novi Travnik, will report about the opening of the seventh session of the Constituent Assembly of the Bosnia-Herzegovina Federation.

The deputies of the Bosnia-Herzegovina Federation Constituent Assembly are currently discussing the implementation of the Washington and Vienna Agreements. Prior to this, they reaffirmed their commitment to the Bonn Agreement and adopted a stance that its implementation was of special importance for Croats and Muslims. In connection with this, new deadlines for its implementation have been set: 1, 15, 19, and 25 June. The Federation Government has pledged to draw up draft bills, and in particular defense and internal affairs bills, before the deadlines. The president and vice president have also pledged to undertake necessary measures to implement the Bonn Agreement.

Bosnia-Herzegovina Federation President Kresimir Zubak then took the floor. He spoke about the implementation of the Washington and Vienna Agreements. Having reiterated the Croats' sincere commitment to the Federation, Zubak said that attempts to subordinate the Federation to the Bosnia-Herzegovina Republic had been gaining strength and slowing down the implementation of the Federal Constitution. He added that a part of the Muslim people were advocating a multinational state, while on the ground forced mobilization and the forced movement of Croats was being carried out and the Croat Defense Council was being banned from working, etc.

This, together with the Serb aggression, Zubak said, forced us to consolidate Herceg-Bosna as a protective measure. It is not a form of secession and cannot be compared with other creations.

Belittling of the Bonn Agreement, and the fact that he in his capacity as the Federation president has never seen a report on the work and planned activity of the Federation Government, are giving cause for concern. So he suggested that the Federation Government's work be separated from the work of the Republican Government with immediate effect.

Federation Vice President Ejup Ganic replied that the Muslims could just discuss this and that they could not agree to anything today. He accused the Croats of obstructing efforts to implement the Federation. He then added that the Republic of Bosnia-Herzegovina was the Federation's address, something that could not be erased. [sentence as heard] Ganic said that the Muslims wanted to establish the Federation on the entire territory of Bosnia-Herzegovina with or without Croats and Serbs.

Federation Prime Minister Haris Silajdzic rejected President Zubak's criticism of the government's inactivity, saying that the government was working hard, adding that it had done more than expected. He in turn criticized the Croat minister for not attending government sessions. A discussion is under way.

Delay After Muslim No-Show

LD0405205695 Belgrade TANJUG in English 2010 GMT 4 May 95

["Pool" item]

[FBIS Transcribed Text] Belgrade, May 4 (TANJUG)—A session of the constitutive assembly of the Muslim-Croat Federation, scheduled for Thursday in the town of Novi Travnik in central Bosnia, was postponed after Muslim deputies failed to appear, Croat Radio Herceg-Bosna said.

The seventh session was to have ratified the Bonn Agremeent on a Federation between Muslims and Croats in the former Yugoslav Republic of Bosnia-Herzegovina. The session had originally been scheduled for Wednesday in Sarajevo, but Muslim Radio Sarajevo reported it had been boycotted by Croat deputies.

A correspondent of the radio of the Bosnian Croat state of Herceg-Bosna reported from Novi Travnik that the assembly session in that Croat-held town had been boycotted also by Muslim leaders Alija Izetbegovic, Haris Silajdzic and Ejup Ganic. The source said that Muslim fundamentalists beat up an MP, prominent Croat historian Venceslav Topalovic, in neighboring Muslim-controlled Travnik in the night between Wednesday and Thursday.

Bosnian Muslims and Croats fought each other for a year and then signed an agreement on a Federation in March last year, under pressure from Washington. The agreement has not been realized yet, however, since the two peoples cannot overcome their differences.

Bonn Agreement Adopted

AU0505092895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 5 May 95

[FBIS Translated Text] The Bonn Agreement was unanimously adopted at yesterday's session of the assembly of the Federation of Bosnia-Herzegovina in Novi Travnik, along with the conclusion that this agreement is the basis and guideline to the peaceful solution to the Bosnia-Herzegovina [word indistinct]. The assembly is to continue work today.

Assembly Closes

AU0505111695 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 5 May 95

[Report by Dzevad Dziho from Novi Travnik—live]

[FBIS Translated Text] Let me say immediately at the beginning that the seventh session of the Constituent Assembly of the Bosnia-Herzegovina Federation ended

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at exactly 1201 [1001 GMT]. Following a debate about the report on refugees and displaced persons, several deputies asked questions.

In the name of the Croatian deputies, Ivan Bender raised the question of the disappearance and fate of General Vlado Santic. The assembly adopted a conclusion that the government will prepare a written report about the disappearance, that is, the fate of Gen. Santic for the next session of the Federal Assembly.

Sejfudin Topic asked about the progress of a request for the formation of the Assembly's working commissions proportionately to the representation of all parliamentary parties and asked that a report on this subject be prepared by the next session. Mirko Prskalo demanded an answer to the question about the fate of 26 Croats from Bugojno, who were arrested in 1993.

Mirsad Djapo proposed drawing up the rules of procedure of the Constituent Assembly and Mirsad Ceman asked about the fate of the 12 Bosniaks incarnated in the part of Mostar controlled by the Croatian Defense Council. Ahmed Alicic asked who had handed Irfan Ajanovic, a deputy of the Bosnia-Herzegovina Assembly, over to the chetniks.

These issues were followed by 14 draft federal laws, which were all adopted without debate. With this the work of the seventh session of the Constituent Assembly of the Bosnia-Herzegovina Federation ended.

Bosanska Gradiska Officials View Area Attacks

AU0405202395 Banja Luka Srpski Radio Network in Serbo-Croatian 1700 GMT 3 May 95

[Report by Slavica Cebic]

[FBIS Translated Text] Addressing the people at a press conference, [Bosanska] Gradiska Municipality President Nebojsa Ivastanin said that the Croatian aggression against the territory of Western Slavonia is unfolding before the eyes of the international public, against those who believed that they would be protected by the peace forces.

[Ivastanin] And now those people are literally being destroyed, slaughtered, or massacred in and around Pakrac area, even as we speak.

[Cebic] The conflict in the republic of Serbian Krajina has spread to the Srpska republic, more precisely to the Gradiska Municipality, as it is a border region, and the 1991 scenario has been repeated, this time in a much more drastic form.

[Ivastanin] During the attack on the Gradiska Municipality, especially on the town itself, we had nine civilian casualties. Five of them were children. There were also some 30 people wounded in the attacks. They used all the weapons that they had at their disposal: mortars, artillery, tanks, and aircraft. They targeted a day-care center, which was hit and badly damaged, and their air force targeted the hospital, but fortunately their pilot was not very accurate and the bomb missed its target, unfortunately landing on a residential area causing immense destruction, killing two children and seriously wounding several civilians.

[Cebic] After all that they have gone through, the inhabitants of Gradiska are trying to get back to normality and help a great number of refugees, mostly women, children, and old people, who hung around on the territory of the municipality. Zoran Lukic, head of the Gradiska civil defense headquarters, talks about the problems of caring about refugees.

[Lukic] Caring for about 3,500 refugees presents an enormous problem. There is a shortage of medical supplies, medicine, and food for such a large number of people.

[Cebic] Mr. Lukic informed the press that committees had been formed to assess the war damage and had determined that the material destruction had been enormous. Major Srboljub Jovicinac, a military prosecutor, said that the aggression had been as quick as a lightning, comprehensive, and had targeted civilian facilities, which, according to international law, is a war crime. The press was informed that another civilian attempting to cross the bridge to the Srpska republic was killed today by a Croatian sniper.

Krajisnik Promises Reaction to Events in Croatia

AU0405143095 Belgrade NASA BORBA in Serbo-Croatian 4 May 95 p 3

[BETA-attributed report: "Krajisnik Announces Actions by RS"]

[FBIS Translated Text] Jagodina—Momcilo Krajisnik, chairman of the Bosnian Serbs' assembly, yesterday hinted that the Srpska republic [RS] will soon react more harshly to the Croatian attack on Western Slavonia. "I do not want to state precisely what the RS will do in the near future, but I can say that we are not going to stand around twiddling our thumbs. The RS will meet its obligations envisaged by the military pact with the republic of Serbian Krajina [RSK]," Krajisnik told Radio Jagodina.

"If Krajina disappears, it will be our turn next. If the RS disappears, then it will be the turn of Serbia and Montenegro. This war has not been started with a view to destroying the RS and the RSK, but the entire Serbian people," he added.

Krajisnik assessed that Yugoslavia "cannot remain deaf" to the events in Western Slavonia, "in spite of the fact that not a single Serb on this side of the Drina wants to drag Serbia and Montenegro into war."

"I am afraid that some Western powers may realize that the passivity of the Serbian people is sufficient grounds to incite war even where now there is none," Krajisnik added.

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Secirbegovic Assesses Contact Group Talks

MS0405134795 London BBC Television Network in English 0600 GMT 4 May 95

[Interview with Muhamed Secirbegovic, Bosnian ambassador to the UN, by presenter Andrew Harvey; Secirbegovic in Westminster, Harvey in London; from the "Breakfast News" program—live]

[FBIS Transcribed Text] [Harvey] Your here for the Contact Group talks, what are they achieving, there doesn't seem to be much coming out of them?

[Secirbegovic] Well the negotiators themselves of course have a very difficult process in front of them. They don't frankly have many tools to use here, they don't have the political will behind them to force the Bosnian Serbs to accept the Contact Group peace plan that was announced almost a year ago. Therefore, they are trying various other methods to bring peace to Bosnia, including the recognition of Bosnia-Herzegovina by its Serbian Montinegro. Since Serbia in fact had initiated this war three years ago, I think everyone believed that this would be a very helpful step, and of course the border closing between Serbia and Bosnia would also add to peace.

[Harvey] So do you think the Contact Group talks are still the best hope for peace?

[Secirbegovic] Yes, I think sometimes of course we all have a tendency to be impatient, especially us who are the victims, obviously our people have suffered. But on the other hand, without any other political will to do something more to confront those who don't want peace on the ground, I'm afraid the best way to do this is to maintain the sanctity of the Contact Group peace plan.

[Harvey] But there is a concern that there seems to be so little positive action. Can't more be done.

[Secirbegovic] Absolutely, but that depends on leaders really at the top.

[Harvey] So what do you think they should do?

[Secirbegovic] I think they really need to show some resolve in this situation. What happened yesterday when the British forces fired back upon the Serbian forces who were attacking them, I think is a type of show of force, show of will that sometimes is necessary, not for the purpose of killing people, for the purpose of using weapons, but really for the purpose of saying we're not going to just put up with this situation indefinately, and we are not going to sit here as targets, and we are not going to allow civilians to be as targets.

[Harvey] So do you see that as just a one-off response, or is that a change of UN policy, do you think?

[Secirbegovic] Wether it is a change of policy, or not, remains to be seen. What's important is how the Serbians see it. If in fact they see it a reversal of the recent erosion, the erosion that has lasted now for six months, it could serve the interests of peace.

[Harvey] What about what's happening in Croatia. President Tudjman has said he will retaliate if there is another attack on Zagreb. Is that a dangerous reaction?

[Secirbegovic] I can't really fault President Tudjman for his reaction, when London is bombed, when Oklahoma City is bombed, the reaction of the political leaders in those countries is a swift justice. I'm not sure why the people of Zagreb, or the people of Sarajevo should not be entitled to the same. When you send rockets, mortar shells, cluster bombs into civilian areas there's only one purpose and that is to terrorize, whether it be in Zagreb, Sarajevo, London, or Oklahoma City.

[Harvey] Mr Secirbegovic, thank you very much for joining us this morning.

Bosnian Serbs Recapture Mt. Treskavica

LD0405225195 Belgrade TANJUG Domestic Service in Serbo-Croatian 2229 GMT 4 May 95

[FBIS Translated Text] Bileca, 4 May (TANJUG)—Following five days of bloody battles, units of the Herzegovina Corps of the Srpska republic army liberated the Djokin Toranj summit of Mt. Treskavica this evening, the Serb forces command in Bileca has reported.

All Muslim attempts to advance toward Trnovo and Kalinovik have been foiled and the Serb forces took the initiative and liberated the summit in a fierce counter-offensive. Having captured the summit, the Herzegovina Corps units have continued their advance toward Mt. Bjelasnica and Mt. Igman, in which direction Muslims units are fleeing.

It is reported that the Muslims suffered considerable losses in manpower in the fighting for the Djokin Toranj summit. There is no specific information about the number of killed and wounded Muslim soldiers.

Ukrainian Soldier Reportedly Killed by B-H Army

AU0505105195 Paris AFP in English 1018 GMT 5 May 95

[FBIS Transcribed Text] Sarajevo, May 5 (AFP)—The UN Protection Force (UNPROFOR) said it was investigating the death of a Ukrainian UN soldier killed early Friday near the government-held enclave of Zepa in eastern Bosnia.

UNPROFOR spokesman Lieutenant-Colonel Gary Coward said that the soldier had been killed by small-arms fire at 3:45 a.m. (0145 GMT) Friday morning as he was patrolling near a confrontation line between Bosnian Serb and Bosnian Army troops.

"Initial and unconfirmed reports suggest the fire came from the BiH [B-H] (Bosnian Army) side," Coward added. UNPROFOR refused to name the soldier or give further details of the incident.

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Mikelic Details Cease-Fire Agreement

AU0405181195 Knin Srpski Radio Network in Serbo-Croatian 1900 GMT 3 May 95

[FBIS Translated Text] After today's meeting between a republic of Serb Krajina [RSK] delegation, headed by Prime Minister Borislav Mikelic, and a UN peace forces delegation, headed by General (?Pierre Peters), the commander of the UN military observer team for former Yugoslavia, an agreement was signed on the cessation of hostilities between Krajina and Croatia. Other members of the delegation were Defense Minister Rade Tanjga, Gen. Dusan Loncar, chief of staff of the RSK army, and (?Prijic), advisor to the president of the RSK. The UN delegation consisted of Civilian Affairs Coordinator Jacques (?Grindberg) and Yuri [name indistinct], chief of civilian affairs in Sector South. The text of the agreement is as follows:

"The signatories of this document agree that the armed hostilities, not only in the area known as Sector West, but also elsewhere, will cease completely, starting at 1600 [1400 GMT] on 3 May of this year. The two sides will withdraw to their previous positions as soon as possible, but by 1600 on 3 May at the latest.

"For security to be guaranteed on the highway, both sides accept that only the UN peace forces, or their units, with the participation of the EU Observer Mission, may control the highway and its immediate surroundings, up to 2 kilometers on each side in Sector West. Both sides will fully cooperate with the UN peace forces in establishing a special regime for this purpose.

"The two sides agree fully to protect the freedom and safety of all UN staff and the EU Observer Mission. The UN staff must be released immediately and UN property returned.

"The two sides also agree to continue consultations under UN auspices.

"This agreement will be fully observed by both sides."

Prime Minister Mikelic and (?Grindberg) issued statements after the meeting. The prime minister first viewed the talks that the Krajina delegation had held immediately after the Croatian aggression against Western Slavonia, with the mediation of the UN representatives, with a Croatian delegation at [Zagreb's] Pleso Airport. He emphasized that the RSK delegation had agreed to the proposed cease-fire agreement then.

[Begin Mikelic recording] Naturally, we did not find a solution on that same day, as was also the case later, the same evening, when Mr. Akashi also arrived from Sarajevo and joined us in trying to find a solution.

We returned to Knin in the evening and were offered an agreement that we were prepared to sign that very evening. However, the Croatian side was not prepared to sign it that evening, probably because they knew that they would be continuing the operation the next day.

During the day, our supreme council and government held joint sessions and we coordinated our positions concerning the ceasefire agreement and the agreement that we had been offered.

Everyone knows how things developed. The Croatian aggression in Western Slavonia escalated. After another night and another difficult day, with Mr. Akashi's mediation, during the day we came to the signing of the agreement, but together with the agreement, which now has some additional elements, there is also to be a cease-fire that officially starts at 1600 throughout the territory, on both sides, which means a cessation of hostilities, and, along with other points that are here, which I do not want to elaborate on now, the most important is an agreement that was not part of the agreement offered to us earlier, that is that our people can leave the Pakrac area, in which there was heavy fighting during the day, this stopped a while ago. Our people can, therefore, leave the area, including soldiers, who can take their personal weapons with them, and this action will make it possible, with the peace forces and their mediation, for them to leave the area freely, using the roads. We reached this agreement and also agreed that it will be possible for us to reach all the victims as soon as possible, and we also proposed the exchange of prisoners on an 'all for all' basis.

The beginning of our people leaving is tomorrow at 0900.

In the talks that we—myself, Gen. Loncar, and Mr. (?Prijic)—held today, Gen. (?Peters) and Mr. (?Grindberg) also took part [end recording].

UN civilian affairs officer Jacques (?Grindberg) made a statement after Mikelic.

[Begin (Grindberg) recording in English with superimposed translation into Serbo-Croatian] We met here today, during what has certainly been the most serious crisis, at least since the cease-fire agreement was signed. There have been many casualties and we hoped that we would reach an agreement on a cessation of hostilities.

We met for another six hours, at the end of which there was the agreement on a cessation of hostilities, starting at 1600 today.

A firm agreement was reached on the arrangements starting at 0900 tomorrow, with everyone who wants to leave the Pakrac area being able to do so safely. This will be done under UN control, along the road from Pakrac to Nova Gradiska [end recording].

Prime Minister Mikelic added that the highest RSK officials had agreed to the agreement.

[Begin Mikelic recording] It was the Supreme Defense Council, headed by President Martic, Gen. Celeketic, and Mr. Loncar, chief of staff of the Serbian Army of Krajina, who is also a signatory to the agreement. I hope that we and the other side, with the mediation of the

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international community, will abide by what we have agreed today. [end recording]

Asked whether the Krajina delegation will accept the invitation of Owen and Stoltenberg, the cochairmen of the International Conference on Former Yugoslavia, to come to Geneva and meet with the Croatian delegation, Mikelic answered that the Krajina authorities would hold additional consultations on this issue, and that the public would be promptly informed of their decision.

RSK Not To Attend Talks

LD0405170195 Belgrade TANJUG Domestic Service in Serbo-Croatian 1620 GMT 4 May 95

[FBIS Translated Text] Belgrade, Knin, 4 May (TANJUG)—Negotiations between representatives of the republic of Serb Krajina [RSK] and Croatia, scheduled to take place in Geneva tomorrow under the mediation of Lord David Owen and Thorvald Stoltenberg, cochairmen of the international conference on the former Yugoslavia, will not take place.

RSK Prime Minister Borislav Mikelic and Foreign Minister Milan Babic said today that there could be no negotiations as long as Croatia continued to carry out military operations against the people and the RSK army.

Mikelic told tomorrow's edition of VECERNJE NOVOSTI that the RSK representatives would not go to the talks in Geneva scheduled for tomorrow.

"I have informed members of the government about my decision not to go to Geneva. Apart from Babic and myself, the invitation is also addressed to President Milan Martic. Babic has also decided not to attend. The Croatian delegation has allegedly accepted the invitation to the talks," Mikelic said.

"In the wake of everything that has happened, regarding this grave situation in Western Slavonia and the uncertain fate of the population there, we cannot agree to negotiations with Croatia, although we appreciate the service and initiative of the two international cochairmen," he added.

"We have not rejected a possibility for talks at a later date, after Sunday, either in Geneva or elsewhere, but we shall do so only once we have done all our calculations in connection with the recent events. If the talks resume, we shall first contact Owen and Stoltenberg and agree all the details with them," said Mikelic. Speaking in Knin today, Babic said that such a meeting was "impossible in conditions of renewed hostilities and Croatia's aggression against the Serb people in the RSK."

In a statement submitted to journalists, he said that to this day Croatia has not halted its "criminal campaign against Western Slavonia, despite appeals and mediation by Mr. Yasushi Akashi." Croatia, said Babic in his statement, "is spitting in the faces of the entire peace-loving world and announcing that it will settle all its scores with the remaining Serbs from Pakrac by using military force." He urged Owen and Stoltenberg to "halt the Croatian war machinery" in the first place.

More From Mikelic

AU0405193795 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 4 May 95

[Telephone interview with Borislav Mikelic, Krajina Serb prime minister, at an unspecified location by Ivica Milosavljevic in the Belgrade studio—live]

[FBIS Translated Text] [Milosavljevic] Mr. Mikelic, this afternoon we received information that the agreed cease-fire is not being observed in some areas. What is the current situation in the crisis area?

[Mikelic] Good evening to the viewers of the Television of Serbia. I can say that the cease-fire is being observed in the entire region by both sides, except for the complex and difficult situation in the Pakrac municipality. In the UNPROFOR [UN Protection Force] headquarters at Pleso Airport, under the auspices of General Janvier and Mr. Akashi, I met in our delegation—which consisted, besides myself, of Gen. Dusan Loncar, chief of staff of the Serb army of Krajina, and Ilija Prilic, adviser to President Martic—with the Croatian delegation. We were there to sign an urgent cease-fire agreement that would stop further bloodshed and aggression. However the Croatian side was not ready to do so that night. Despite that, with Akashi's mediation, yesterday we signed a cease-fire agreement in five points and agreed to additional conditions following the developments, particularly in the Pakrac municipality. The agreement was realized with the cease-fire yesterday at 1600 [1400 GMT].

However, the situation in the area of Pakrac is still difficult, and it has not developed the way it was envisaged by the agreement. Therefore, I am not prepared to hold any kind of talks with the Croatian side and delegation until the signed cease-fire agreement is fully implemented. I expect that Mr. Akashi's trip to Pakrac late this afternoon—and I have been in touch with him all day today—will help solve the difficult situation, which is now the primary goal, to enable an unobstructed and dignified pullout of our people from that region to the free territory.

If Mr. Owen and Stoltenberg can get involved and help solve this situation first in accordance with the signed agreement—and I have been told today that they are going to be involved in this—then the conditions will be created for possible negotiations.

Claes Optimistic

LD0405163695 Belgrade TANJUG in English 1537 GMT 4 May 95

["Pool" item]

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[FBIS Transcribed Text] London, May 4 (TANJUG)—The situation in Croatia is very dangerous, but the ceasefire, accepted both by Krajina Serbs and Zagreb, gives rise to hope that the problem could be solved, NATO Secretary General Willy Claes said in London Thursday.

Claes told BBC Television that the situation in Croatia after the Croatian aggression Monday on Western Slavonia, in the republic of Serb Krajina, an area under U.N. protection, was much more dangerous than imagined. However, the real danger will come if the ceasefire agreed upon by Serb Krajina and Croatian representatives on Wednesday is only shortlived.

The republic of Serb Krajina and Croatia have agreed to a complete cessation of hostilities, withdrawal to earlier positions and full coopertion with U.N. peacekeeping forces in the region. Claes said that the position of the allies in NATO was that U.N. peacekeepers should stay on in Croatia and the republic of Serb Krajina, indicating there were no plans for their withdrawal.

Claes arrived in London on Wednesday to review with British officials the latest crisis in Croatia, and possible consequences for NATO.

RSK, RS Serbs Hold Joint Defense Council

LD0405150495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1423 GMT 4 May 95

[FBIS Translated Text] Knin, 4 May (TANJUG)—A meeting of the Joint Defense Council of the republic of Serb Krajina [RSK] and the Srpska republic [RS] chaired by Milan Martic and Radovan Karadzic, the presidents of the Republics, was held in Knin today.

It was announced that consideration was given to the current military-political situation following the aggression by Croatia against the RSK in the area of Western Slavonia.

It was assessed that "the latest aggression was carried out with the tacit approval of the international community and was accompanied by an unaceptably mild reaction by the UN Security Council."

The statement further states that the international community "passed over in silence the knowledge of mass casualties and the exodus of Serb civilians from Western Slavonia and municipalities in the RS near the border with Croatia."

The council states that the UN Security Council has an obligation to the world community to ensure "that the Serb population under occupation is liberated and that the Croatian Army returns to the old separation line." If this does not take place, the RS and the RSK are "determined to deploy all their potentials and liberate the Serb population and the entire area of Western Slavonia," the statement stresses.

At the session the council also discussed providing care for the refugees from Western Slavonia and the implementation of the project of unification between the two republics. In addition to Presidents Martic and Karadzic, today's session of the Joint Defense Council of the RS and RSK was also attended by Momcilo Krajinski, speaker of the RS People's Assembly; Milan Ninkovic, RS minister of defense; Zivko Rakic, RS minister for internal affairs; Colonel General Milan Celeketic, commander of the RSK army; and others.

Meeting Suggests 'Rift'

AU0405150095 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 4 May 95

[Report by Matej Surc from Belgrade]

[FBIS Translated Excerpt] Serbian military sources have stated that the Croatian authorities are not even allowing representatives of humanitarian organizations into Western Slavonia. According to an anonymous Serbian officer from Banja Luka, some 6,000 Serbian civilians and around 100 soldiers have remained in Western Slavonia. They cannot cross the Sava River into northern Bosnia because Croatian sharpshooters are controlling the bridge at Stara Gradiska.

The Serbian officer has told the Belgrade BETA agency that the encircled Serbian soldiers in the Pakrac area would remain at their stations, since if they were to surrender, the Croats would kill them.

Milan Martic and Radovan Karadzic, the leaders of the Krajina Serbs and the Bosnian Serbs, met in Knin this afternoon. It has been assessed that the meeting focused on joint military operations. (?We were told by Croatian authorities) in Western Slavonia that Pale has promised help to the Krajina Serbs. Krajina Prime Minister Mikelic did not attend the Martic-Karadzic meeting. It is believed that the reason is probably a rift in the Krajina leadership. Mikelic, namely, is following the advice of official Belgrade and is negotiating with Zagreb. Martic, however, would like to break free from Milosevic's supervision and is carrying on with revenge actions. [passage omitted]

Galbraith Threatens RSK With 'Dire Consequences'

LD0405212295 Belgrade TANJUG in English 2002 GMT 4 May 95

["Pool" item]

[FBIS Transcribed Text] Knin, Serb Krajina, May 4 (TANJUG)—U.S. Ambassador to Croatia Peter Galbraith threatened Serb Krajina on Thursday [4 May] with dire consequences if it continued what he described as shellings of U.S. facilities in Zagreb.

Ambassador Galbraith explained he was writing to Serb Krajina President Milan Maric, Prime Minister Borislav

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Mikelic and Foreign Minister Milan Babic on the instructions of Secretary of State Warren Christopher and Defence Secretary William Perry. Galbraith said that Serb Krajina should know that U.S. presidents had in the past regarded attacks on U.S. troops and personnel as attacks on the United States, and said that the United States could respond in self-defence under Article 51 of the U.N. Charter.

The letter purported to inform the leaders of the republic of Serb Krajina of the position of the U.S. Administration on what it regards as Serb Krajina's shelling of Zagreb. The United States has no reservations about blaming the Serbs for the explosions that have shaken the Croatian capital and that the Belgrade BORBA daily said on Thursday had been stage-managed in order to divert world attention from Croatia's massacre of Serb civilians.

According to Serb Krajina figures, the Croatian Army has killed 400 Serb civilians in its attack on the Western Slavonia region in Serb Krajina mounted at dawn on May 1. Of that number, at least 200 were killed when Croatian planes strafed a column of refugees fleeing Western Slavonia for the neighbouring Srpska republic across the Sava river, Serb Krajina sources said.

Galbraith claimed in the letter that several rockets fired by Krajina Serbs had detonated in the vicinity of the U.S. mission in central Zagreb and Zagreb's Pleso Airport where a U.S. military medical team is working with the U.N. force. The United States pushed through in the U.N. Security Council on Tuesday night a tardy and mild presidential statement calling for a halt of armed operations, but without asking for the Croatian Army's withdrawal to positions held before the latest offensive.

Czech television said in a Wednesday night news programme that Croatia had mounted the offensive with the knowledge of the United States and Germany.

Krajina Officer: Zagreb Bringing 'Fresh Forces'

AU0405183195 Knin Srpski Radio Network in Serbo-Croatian 1900 GMT 2 May 95

[Interview with Colonel Stevan Strbac, commander of the "50th Brigade" of the Krajina Serb military, by an unidentified Radio Korenica correspondent; place and date not given—recorded]

[FBIS Translated Text] [Strbac] The situation in the theater of operations of the 50th brigade of the republic of Serbian Krajina army is good. The ustashas who were at the UNPROFOR [UN Protection Force] points are now only at Konjska Glava; they withdrew from the other points.

[Correspondent] Regrouping and bringing in of fresh forces [words indistinct] has been observed lately in the areas bordering with the theater of operations of the 50th brigade. Do you have any specific information on the movements of the Croatian forces and their intentions?

[Strbac] We do have information about the concentration of forces toward our defense area, but we have also been adequately preparing our soldiers for defense in case the enemy forces attack.

Their intentions are clear: They would naturally like to cancel the UNPROFOR mandate, and have them not carry out their tasks as they are doing now, and they would like to enter the demarcation zones, but we know that they have no right to do so.

We must be prepared to repel a possible attack of the ustasha forces, and we have seen today that our soldiers can do this.

[Correspondent] How have the UN peace force members been acting?

[Strbac] I do not think that they have carried out their tasks.

[Correspondent] The command of the Lika Corps of the republic of Serbian Krajina army has stated that the defense lines in the corps' theater of operations are stable, and the soldiers are carrying out their everyday activities.

Air Force Kills 'Hundreds' of Serb Refugees

LD0505112495 Belgrade SRNA in Serbo-Croatian 0219 GMT 5 May 95

[Item received by fax]

[FBIS Translated Text] Bosanska Gradiska, 5 May (SRNA)—The exact number of civilians who were killed in Croatian Air Force and artillery attacks on Serb refugees on Mt. Psunj, east of Pakrac, is difficult to establish, but it can certainly be counted in hundreds—a SRNA correspondent has learned from Serb refugees who managed to swim across the Sava River and find shelter in the Serb Republic.

According to them, the Croatian Air Force went into action twice yesterday after 1400, strafing the refugees on Mt. Psunj, which has been under Croatian artillery attack for three days.

Over the past two days, the Croats massacred a column of several thousand Serb refugees that was moving from Okucani toward the Srpska republic. The Croat units first opened artillery fire from the forest of Prasnik, and then those who did not manage to flee were run over by tanks.

According to eyewitness testimonies, hundreds of massacred bodies of Serb civilians are left lying on the road between Okucani and Gradiska in the Srpska republic. Radio hams who were contacted today also confirmed the chaotic situation and the unprecedented massacre of refugees on Mt. Psunj.

There are no UN soldiers in the areas where Serb refugees are currently staying. In accordance with the agreement on the complete cessation of hostilities, the Serbs handed in their weapons to the UN troops and are now left at the mercy of the enemy.

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Defense Ministry Denies Maltreating Pakrac Serbs

LD0505113095 Zagreb Radio Croatia Network in Serbo-Croatian 1000 GMT 5 May 95

[FBIS Translated Text] The political department of the Defense Ministry of the Republic of Croatia has issued the following statement:

The UN Security Council held a session yesterday evening, New York time, at which UN Undersecretary General Chinmaya Gharekhan submitted a report. He accused the Croatian forces in Pakrac—following the surrender of the Serb forces—of inhumanely treating 800-1,000 Serbs. He accused the Croat forces of having separated soldiers from women and children, and of failing to allow UN Confidence Restoration Operation [in Croatia—UNCRO] forces to control the situation in the area. Gharekhan also accused the Croatian Army of engaging in individual cases of drunken assaults, pillaging homes and maltreating the civilian population. He also accused the government in Zagreb of having made tough and dangerously radical statements. Gharekhan also accused the Croatian forces of the systematic violation of human rights and of failing to set free members of Serb paramilitary formations who had surrendered.

In the same vein, following the Security Council session, British Ambassador Sir David Hannay accused the Croatian Government and, as he put it, quasi-government organizations, of carrying out organized pillaging in Western Slavonia.

The information headquarters and the political department of the Ministry of Defense most vehemently protests such tendentious allegations, considering them to be pro-Serb, fabricated, and ill-intentioned. The information headquarters and the political department of the Ministry of Defense yesterday confirmed that on the first day of the liberation of Okucani, two civilians were arrested and remanded in custody after they attempted to plunder abandoned houses.

The information headquarters and the political department of the Ministry of Defense of the Republic of Croatia most vehemently protests the allegations that the Croatian Government and nongovernment organizations are carrying out an organized pillage of Western Slavonia. It is a pure lie that the government has been issuing dangerously radical statements. The information headquarters and the political department of the Defense Ministry of the Republic of Croatia recall the appeal made by the Croatian Government, which was repeatedly broadcast over several consecutive days, and which guarantees safety and all civil rights to citizens, and guarantees to soldiers who have surrendered their weapons that they can avail themselves of the law on pardons.

The civilized and human behavior of the Croatian forces toward civilians and former soldiers in the Pakrac area, where, since the beginning of the war in 1991, the occupying paramilitary forces have killed 105 and wounded 296 people, has been demonstrated over the past few days. All foreign and domestic correspondents and journalists, who are completely free to visit the area of Western Slavonia, can assure themselves of this today.

Let us recall that, for example, in the village of Kutina alone, 168 elderly people of Serb nationality who were abandoned by the extremist paramilitary army, are being accommodated and cared for in a hotel and youth centre.

Not one case of revenge by members of the Croatian forces has been recorded. Internal Affairs Minister Ivan Jarnjak has been in the Pakrac area since yesterday, and he can confirm this. The same can be confirmed by foreign military attaches who yesterday visited several places in Western Slavonia. During their visit they failed to record any significant destruction of civilian buildings.

The Serb media broadcasting from the temporarily occupied area of Croatia reported the attacks as being mainly on military targets during the limited action by the police forces and territorial formations of the Croatian Army. This media did not fail to report on the false allegation that there were hundreds of civilian casualties—with the clear intention of provoking the interference of Serbia in the limited action to open up the roads and railroads, and to provoke the condemnation of the international community.

The numerous teams of journalists, who have free access to the area in question, can assure themselves of the real truth. The former members of the 51st Brigade of the 18th Corps of the so-called Krajina army who have surrendered their weapons are being treated in a civilized and humane way. This can be confirmed by foreign television crews and journalists.

After the implementation of the law on pardons, these former soldiers have been allowed a choice. They can either live as peaceful citizens in Croatia or go to other countries. One should recall here that Croatia is respecting all international conventions, something which can be seen from the behavior hitherto of the Croatian state, which has not occupied an inch of foreign territory and which was subject to aggression.

The information headquarters and the political department of the Defense Ministry hope that both Mr. Gharekhan and Ambassador Hanney will soon receive precise and truthful reports from UNCRO and other organizations about the situation in Western Slavonia, and that the international community will concentrate on ways and means to help the sovereign the Republic of Croatia, which has liberated its road networks, to renew and reconstruct this war-damaged area of Western Slavonia.

The statement is signed by Brigadier Ivan Tolj, head of the political department and coordinator of the information headquarters of the Ministry of Defense.

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Interior Minister Interviewed on Pakrac Operation

LD0405184195 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 4 May 95

[FBIS Translated Text] Government conclusions on the establishment of civilian authorities in Western Slavonia are being implemented. And here is an interview with Interior Minister Ivan Jarnjak by our colleague Ana Mudric following the surrender of a large number of Serb soldiers in Pakrac:

[Begin recording] [Jarnjak] You see, yesterday we signed a cease-fire agreement, which we had observed fully and absolutely, and continued talks on their surrender in line with signed minutes. But all this time, we had great problems.

So several groups of rebel Serbs tried to infiltrate the Okucani area, and six fighters died in the ensuing clashes last night.

This morning, instead of surrendering, they continued to escalate the situation. They posed as a condition that they would surrender around 11 May, only so they could bide time; discuss surrender during the day and fight at night.

This morning around 1355 hours, they fired mortar shells on Pakrac. At the same time some special units tried to break through the area north of Omanovci toward Papuk and Psunj.

The Croatian Army and police force could not tolerate this cease-fire violation, because this was not just sporadic shooting but a serious cease-fire violation, in which four to five of our soldiers were killed in these operations. The Croatian Army and police force resolved the entire area by a resolute action. [as heard]

A Croatian police station has been set up in Gavrinica. Civilians are safe. And the soldiers who have surrendered are in the hands of the military police. So the entire operation has been carried out in a very professional and correct fashion. And most importantly, the Croatian side had been observing the agreement signed yesterday fully and the other side had totally disregarded it. This was the reason why we had to carry out this operation in this manner.

As far as we know, the other side did not have casualties apart from a few wounded. All civilians will be cared for without any difficulties. And we shall observe the convention on war prisoners.

[Mudric] And what will happen to the civilians? Will they live normally in the area? We have already seen that they have been released.

[Jarnjak] Women, children, and elderly have been returned to their homes, and they will stay in their homes. As far as men are concerned, we shall first try to establish their identity, and those who were members of the Serb army will be handed to the army investigative bodies, and men who are civilians will be handed over to the Croatian police.

[Mudric] Do you know whether some uncovered groups have been left in the area so that they could carry out possible terrorist actions?

[Jarnjak] Yes, there were some. And even today we spotted several in a forest. However, their numbers are dwindling, and our units are in charge of the area, so that these groups, and lots of them have surrendered themselves and they could not stand to stay in that forest, so I believe that the operation is finished this evening. [as heard]

[Mudrinic] Thank you very much.

[Jarnjak] Thank you. [end recording]

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Albanian-Language University Dean Sentenced

LD0305220495 Belgrade TANJUG Domestic Service in Serbo-Croatian 2124 GMT 3 May 95

[FBIS Translated Excerpt] Skopje, 3 May (TANJUG)—The Tetovo municipal court today sentenced dean of the illegal Shqiptar-language [Albanian-language] university Fadilj Sulejmani to two and a half years' imprisonment for the criminal act of "inciting people to resistance."

Milajim Fejziju, the second defendant and one of the initiators of the ethnic university in Tetovo—not recognized by the Skopje government and considered unconstitutional—was sentenced to six months' imprisonment for the criminal act of "mass participation in preventing the authorities from carrying out their official duties." [passage omitted]

Language Issue Expected To Cause 'Blockades'

AU0505091095 Skopje NOVA MAKEDONIJA in Macedonian 4 May 95 p 4

[Commentary by K. Cangova: "Technical Norms Burdened by Policy"]

[FBIS Translated Text] The parliament's rule book has not been adopted for three years now—that is, for two mandates. All attempts to turn the wishes into practice have so far remained vain. Although one may have been able to justify this in the first multiparty parliament because of the different schedule of forces, it is now difficult to find an excuse for putting off any longer this document's adoption. It is true that things have started moving: The delegates have been presented with a draft proposal and two sessions of the commission in charge of this matter were scheduled with the aim of opening discussions on the norms, after which representatives of all parliamentary groups were to sign the document. These sessions never took place, however—the first time because of a lack of quorum and the second time because of the absence of the PDP [Party for Democratic Prosperity] representatives. Meanwhile, we still do not know what will happen at the commission's third session, which has not yet been scheduled.

There have been pronouncements that, with the way things are now, this document will not be easily adopted. The problem is one of the articles that concerns the use of mother tongues in parliamentary debates. Namely, the last version, contrary to all previous ones and to the old "socialist Rule Book," does not address the right to use mother tongues in debates of the Assembly of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM]. The fifth rule is founded on the constitutional solution by which Macedonian, and not the languages of other nationalities in the state, is used. It is possible to have foreigners and citizens of foreign states addressing parliament in their mother tongue, but in such cases their speeches will be translated into Macedonian. The rule on the use of mother tongues has been left out intentionally with the aim of regulating it with an integral law that decides and defines the conditions for such use.

The ethnic Albanian delegates were unpleasantly surprised from the very outset of the draft version. Their view is that they must have the right to speak in Albanian in parliament. All Albanian delegates share the same view concerning the use of their mother tongue in parliamentary debates. "The stance of the PDP parliamentary group is clear and unchanged," said Ismet Ramadani, coordinator of this group. He said yesterday that their representatives will push for the use of their mother tongue in parliament. This is exactly what they are going to say to the commission in charge of this matter, and they plan to ask for alternative solutions concerning the languages—that is, to keep it the way it is in the parliament's current rule book, and he also said that they will not sign the offered version.

It is obvious that, as a topic of discussion, the rule book will strongly "shake the parliament," and that blockades are possible. Namely, the PDP group in March reaffirmed its firm stance not to take part in parliamentary work if there is not a regulation in the new rule book on the use of the Albanian language. In such a case, it is up to the parliament to "decide" if there is a wish to solve this technical, not political, question. To postpone the solutions and "wait for better times and a better political climate" is not appropriate for this parliament.

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Federal

April Retail Prices Up 8 Percent From March

LD0405124295 Belgrade TANJUG Domestic Service in Serbo-Croatian 1055 GMT 4 May 95

[FBIS Translated Excerpt] Belgrade, 4 May (TANJUG)—Compared to prices in March, retail prices in April went up 8.2 percent, while the cost of living rose by 8.6 percent, representatives of the Federal Statistics Institute told journalists today.

Milovan Zivkovic, director of the Federal Statistics Institute, warned that the rise in prices in April represents a real threat to the economic stabilization program and that unless it is halted as a matter of urgency, it could "lead to 1993 levels of inflation." Mirjana Rankovic, assistant director of the Federal Statistics Institute, explained that cigarettes went up most (58.2 percent). Farm produce went up 23.1 percent; processed foods, 3.3 percent; and industrial goods 6.6 percent. [passage omitted]

Serb-Montenegrin Role in Antifascist Struggle

LD0405190495 Belgrade TANJUG in English 1804 GMT 4 May 95

["Pool" item]

[FBIS Transcribed Text] Belgrade, May 4 (TANJUG)—The Yugoslav Government on Thursday issued a statement emphasizing the role of the Serbs and the Montenegrins in the struggle against fascism during WW II.

In a statement issued on the occasion of the 50th anniversary of V-E Day, the government said that the two peoples had been the initiators and chief protagonists of the anti-fascist struggle in Yugoslavia.

They were staunch allies of the anti-fascist coalition from April 1941 to May 1945, organizing the struggle for the liberation from fascist occupation not just in Serbia and Montenegro, but throughout the former Yugoslavia, the statement said.

The vast majority of the 1,706,000 Yugoslavs who died in the four-year war of liberation were Serbs and Montenegrins. Hundreds of thousands of Serbs were displaced or expelled, 25 percent of the overall Serb population lost their homes and many Serb settlements and priceless cultural monuments were destroyed, the Yugoslav Government said. More than 700,000 Serbs perished in the genocide in the independent state of Croatia, the Croatian-Muslim Nazi puppet state created during WW II, the majority of them in the Jasenovac death camp.

Earlier this week, Jasenovac again became the victim of Croatia's aggression against the Serb people. It is then all the more deplorable and unacceptable that some are now trying to deny to the Serbs and Montenegrins who remained outside Yugoslavia their inalienable rights to self-determination and existence, the Yugoslav Government said.

These rights were recognized to the other former Yugoslav nations, but not to the Serbs and Montenegrins who remained outside Yugoslavia's borders because of the violent break-up of the former Yugoslav state, the statement said.

Yugoslavia believes that it is necessary to learn from the experience of WW II and the anti-fascist struggle, and that Europe and the world can have a peaceful and safe future only if there is peace, democracy and equality for all nations and states.

This can be achieved only if all forms of pressure are removed from international relations, along with excommunication and collective punishment, the Yugoslav Government said.

For the sake of ideals for which so many people lost their lives in the struggle against fascism, Yugoslavia appeals to the international community to help find a comprehensive peaceful settlement to the crisis in the former Yugoslavia, with equal treatment of all sides to the conflict, the statement said.

Serbia

Arkan Calls On Volunteers To Defend Serb Nation

LD0405185095 Belgrade SRNA in Serbo-Croatian 1750 GMT 4 May 95

[Received by fax]

[FBIS Translated Text] Belgrade, 4 May (SRNA)—The Serb Volunteer Guard issued a proclamation in Belgrade today which calls on "all volunteers and others who wish to defend the Serb nation, its territory and shrines, to place themselves under the command of the Serb Volunteer Guard of Zeljko Raznjatovic-Arkan."

"Croatian forces have again bestially attacked centuries-old Serb territory, and Serb children, women, and the elderly have suffered. Serb cemeteries and shrines are again being destroyed," the proclamation by the Serb Volunteer Guard says.

Daily Accuses Government of Denying Newsprint

AU0405155495 Belgrade NASA BORBA in Serbo-Croatian 29 Apr-2 May 95 p 28

[Announcement by NASA BORBA Editorial Collegium and Collegium of Directors: "Announcement to Readers"]

[FBIS Translated Text] It is known that NASA BORBA does not feature on the list of the media to which the Sremska Mitrovica Matroz Paper Mill may deliver newsprint. This is why from the very time when NASA

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BORBA started coming out, we supplied ourselves with imported newsprint. This was thanks to the permit that our importer had been given by the UN Security Council Sanctions Committee on 17 January 1995.

Although we had submitted an application to be allowed to import new quantities of paper as early as 18 February, our importer was not issued with a permit by the Sanctions Committee by 29 April at 2000.

If the permit fails to arrive after the [1st of May] holidays, it is quite possible that we shall be forced to stop publishing the newspaper next week. This will affect our readers and ourselves, but those who, among other things, accused us of importing paper while our children are dying from lack of medicine will be satisfied. By the way, a Sanctions Committee's permit has never been needed to import medicine, and as far as newsprint is concerned, without the permit we can only turn to the "black market."

We have no power to affect the efficiency of the Sanctions Committee, but we can tell the Serbian Government that with its "lists" it has been obviously and determinedly working against the freedom of the press in Serbia.

China To Send Humanitarian Aid to Refugees

LD0405170695 Belgrade TANJUG in English 1327 GMT 4 May 95

[FBIS Transcribed Text] Belgrade, May 4 (TANJUG)—The Chinese Government has decided to send humanitarian aid to refugees in Serbia, in food, medical supplies, clothing and school material worth 1,500,000 Chinese yuan.

This was announced by the ambassador of the People's Republic of China in Belgrade, Zhu Ankang, during talks with the commissioner for refugees of the Republic of Serbia, Bratislava Morina, the Serbian Ministry of Information said. Morina suggested to the Chinese side to study the possiblity of constructing a small settlement for refugees.

If the suggested project is carried out the settlement would be called 'little China', and represent a symbol of lasting friendship and support of the Chinese people, Morina said.

The Chinese ambassador accepted with pleasure the proposals and initiatives of the Serbian commissioner for refugees and stressed that Peking thinks highly of Belgrade's efforts to provide shelter for half a million refugees in Serbia in the conditions of international sanctions, the statement said.

Kosovo

Bukoshi Appeals for 'Sacrifices' From Exiles

AU0405124195 Tirana RILINDJA in Albanian 3 May 95 p 5

[Article by B. Kelmendi: "Only We Can Liberate Kosova"]

[FBIS Translated Text] The Three-Percent Council [responsible for collecting levy on earnings of Kosovars abroad] for the Swiss cantons of Basel and Basel Land organized an information session with our compatriots in Reinach the day before yesterday [1 May]. Dr. Bujar Bukoshi, prime minister of the Republic of Kosova; Xhafer Shatri, minister of information; and Isa Mustafa, economy and finance minister, were present. Ali Berisha opened the session and gave the floor to Prime Minister Bukoshi, who talked about the current situation in Kosova, internationalizing the question of Kosova, and the chances for its solution.

Dr. Bukoshi said, "Nothing good is happening in Kosova. Serbia is continuing its violence and terror, and this violence is being intensified by looting. The victims as ever are the Albanians, who are continuing to resist through their peaceful policies as far as they are able. Our compatriots in Switzerland and elsewhere in the West, who with their material sacrifices are attempting to alleviate the difficult economic situation caused by the Serbian occupation and plunder, are a major support for this resistance." However, Bukoshi continued, even more sacrifices are required for Kosova and its freedom. We must understand one thing: That nobody will liberate Kosova if we do not do it ourselves. If we want to survive as a nation and people, we must liberate Kosova. We will liberate Kosova, because we have no alternative other than a life independent of Serbia. Our political goals, our Constitution, and the referendum lay this duty on us.

Dr. Bukoshi devoted part of his speech to the internationalization of the Kosova question. However, because of the war in Bosnia, the cause of Kosova has unfortunately been marginalized recently. We can overcome this marginalization through more determined work, greater pressure on the international community, and more effective organization.

Dr. Bujar Bukoshi also spoke of another blight that has struck Kosova: emigration. "By fleeing Kosova, we are aiding Serbia's project of colonizing Kosova. We, therefore, ask you not to abandon your birthplace without pressing reasons. We will defend Kosova by remaining there, not fleeing."

Ending his speech, Dr. Bujar Bukoshi appealed to our compatriots to perform their constitutional obligations to the state of Kosova. "If you are not making sacrifices for the state, how can you create it?" Dr. Bukoshi asked.

Isa Mustafa talked about the progress of the treasury of the Republic of Kosova. Gani Hoxha, chairman of the Three-Percent Sector for Switzerland, spoke about trends in Switzerland, and Iliaz Krasniqi spoke about the situation in Basel and Basel Land.

Information Minister Xhafer Shatri talked about publicizing the truth about Kosova and the need for the

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Albanians to issue more foreign language publications about Kosova and their historical and ethnic rights.

At the end, Dr. Bujar Bukoshi and his colleagues replied to many questions from our compatriots. In their replies, they said that we must all labor and make sacrifices for Kosova and its independence. They said that there are no disagreements between the government and the political parties but that both the government and the parties are each doing their own jobs. There is fear of anoutbreak of war in Kosova. The Serbs would start this war, but the Albanians are not frightened of it; the Albanians want peace but not on the condition of remaining in slavery. The Albanians in the West must represent Kosova in a worthy fashion and respect the laws and morals of the states where they live, not falling into the trap of the criminality that has started to spoil our reputation in the West.

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